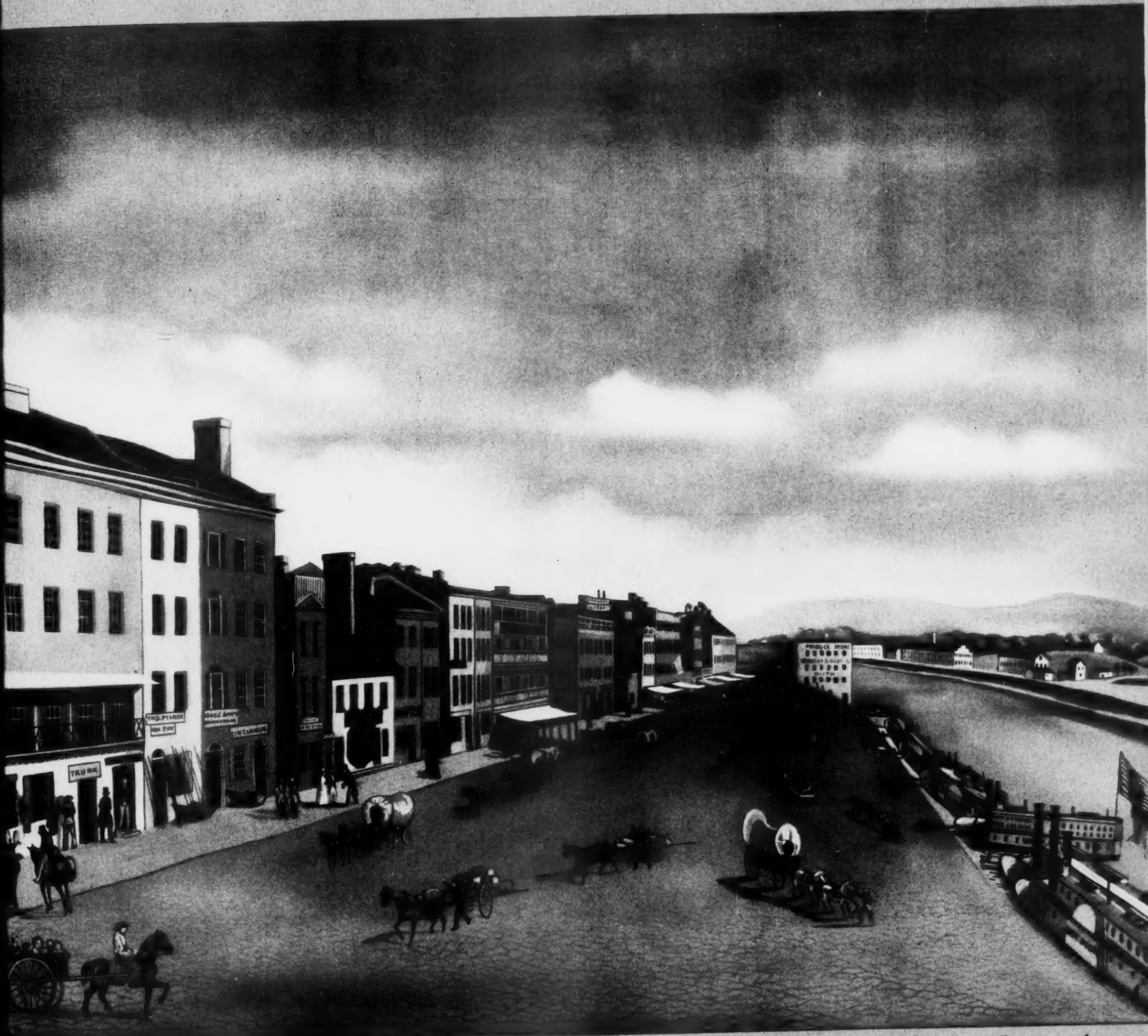
DUN'S REVIEW



IX of a series of Century old cities - Cincinnati

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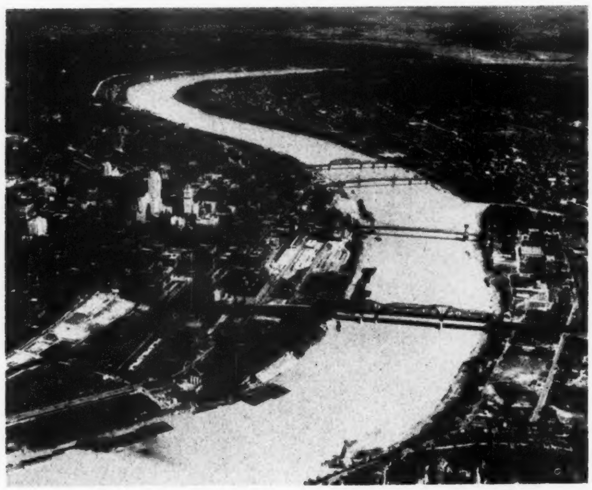
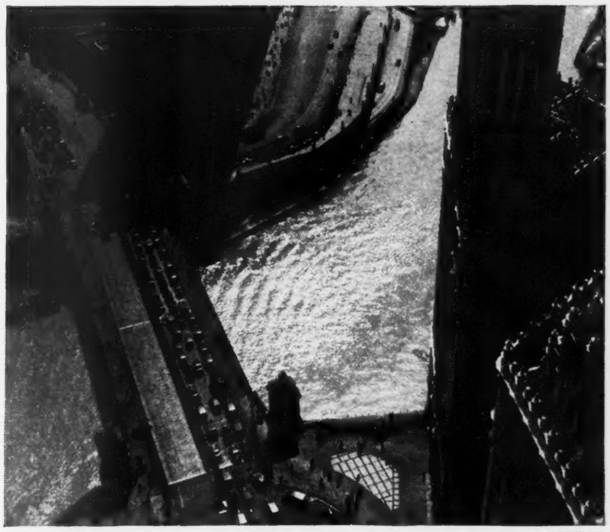


T H I S   M O N T H ' S   C O V E R

Made some time after 1834 and before 1840, the lithograph of Cincinnati reproduced on the front cover is one of the earliest and rarest close-up views of a Midwestern city. . . . Laid out on the north bank of the Ohio River in 1789, Cincinnati for a year was called Losantiville, but in 1790 it received its present name in honor of General St. Clair, governor of the Northwest Territory and president in Pennsylvania of the Cincinnati Society of officers of the Revolution. For five years Indian warfare kept the section in turmoil, and again during the Civil War Cincinnati was an important station on the "Underground Railroad". . . . Aided by river, canal, and railroad traffic and later by the establishment of great manufacturing plants, the city has grown steadily. . . . This print from the Phelps Stokes collection appears through the courtesy of the New York Public Library. . . . The aerial photograph above shows Cincinnati today with a population of 450,000 and manufactures which include radios, soap, metal products, and boots and shoes.



GENDREAU

DUN'S REVIEW FOR OCTOBER 1937

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¶ To those interested in the prints of century-old cities appearing on the covers of Dun's Review, the publishers will furnish copies suitable for framing. Copies should be ordered promptly; not all back numbers are available. For prints set off by an appropriate French mat 13½ by 14¾ inches ready for framing the charge is $1. For prints mounted and framed, with glass, the charge is $3. . . . ¶ Information concerning subscription appears on page 49. . . . ¶ Second cover photograph by Fairchild Aerial Surveys, Inc. Frontispiece photograph by D. W. Boyer from Gendreau.

GALLOWAY

THE BALANCE OF INDUSTRY AND AGRICULTURE

LEWIS H. BROWN
President, Johns-Manville Corporation

Here a business man, whose responsibilities have given him close acquaintance with this subject, discusses the parallelism between the interests of manufacturers and farmers and the balance necessary for prosperity. This is one of a series of articles on questions of unusual significance to business men, presenting the personal opinions of men whose backgrounds and points of view have created decided, and often conflicting, convictions.

ONE of the most important facts which was brought to the front and emphasized by the depression is that the welfare of every single group in the economic structure is irrevocably linked up with the welfare of each and every other group in that structure.

The more progressive manufacturers have long appreciated this simple fact. For many years they have recognized that labor has a very definite equity in the returns from production and distribution and that unless it receives its fair share the whole machine will be slowed down. They have recognized that dollars at work producing new wealth must be paid fair wages, or capital will indulge in a sit-down strike and there will be no investment dollars willing to work. They know that consumers must share in the benefits of any improvements in the art of fabricating and that the producers of raw materials must prosper if the fabricators of raw materials are to prosper.

The lessons of the interdependence of all groups were many during the war and the post-war period—they have been greatly intensified by the trying years since 1930. But nowhere has the mutuality of interest of two groups been more striking than in the case of the farmers and the manufacturers. They are the two greatest producers of national wealth. Together they account for at least 50 per cent of the gainfully employed.

The farmer depends on the manufacturer—the processor—to move at least 75 per cent of his product to the ultimate consumer. The manufacturer, in turn, sells, directly or indirectly, some portion of all of the other products which enter into commerce to the farmer. For example, when the farmer pays a freight bill or buys a railroad ticket, he is, in fact, buying locomotives, passenger and freight cars, and all other items of equip-

WHOLESALE PRICE INDEX NUMBERS (1926=100)

	All Commodities	Farm Products	Difference *		All Commodities	Farm Products	Difference *		All Commodities	Farm Products	Difference *
1900...	56.1	50.5	5.6	1913...	69.8	71.5	— 1.7	1926...	100.0	100.0	...
1901...	55.3	52.8	2.3	1914...	68.1	71.2	— 3.1	1927...	95.4	99.4	— 4.0
1902...	58.9	58.4	0.5	1915...	69.5	71.5	— 2.0	1928...	96.7	105.9	— 9.2
1903...	59.6	55.6	4.0	1916...	85.5	84.4	1.1	1929...	95.3	104.9	— 9.6
1904...	59.7	58.5	1.2	1917...	117.5	129.0	—11.5	1930...	86.4	88.3	— 1.9
1905...	60.1	56.4	3.7	1918...	131.3	148.0	—16.7	1931...	73.0	64.8	8.2
1906...	61.8	57.3	4.5	1919...	138.6	157.6	—19.0	1932...	64.8	48.2	16.6
1907...	65.2	62.2	3.0	1920...	154.4	150.7	3.7	1933...	65.9	51.4	14.5
1908...	62.9	62.2	0.7	1921...	97.6	88.4	9.2	1934...	74.9	65.3	9.6
1909...	67.6	69.6	—2.0	1922...	96.7	93.8	2.9	1935...	80.0	78.8	1.2
1910...	70.4	74.3	—3.9	1923...	100.6	98.6	2.0	1936...	80.8	80.9	— 0.1
1911...	64.9	66.8	—1.9	1924...	98.1	100.0	— 1.9	1937‡..	87.2	88.5	— 1.3
1912...	69.1	72.6	—3.5	1925...	103.5	109.8	— 6.3				

* Excess of all commodities over farm products except where minus sign is shown. ‡ June.

In eighteen of the thirty-eight years since 1900 the farm products index exceeded the all-commodities price index. In nineteen of the years the index of prices for all commodities was higher. Mr. Brown points out that the averages for the thirty-eight years deviate from parity by only 0.13 per cent, in favor of agriculture.

ment as well as contributing to the railroad's payroll.

It is for these reasons that industry, through a special committee of the National Association of Manufacturers, has undertaken to find out to what extent the problems of the farmer parallel the problems of the manufacturer—whether the solution of the one set will aid in the solution of the other. It is an intensive study being conducted for self-education and not for the purpose of designing a farm program. The manufacturer has no intention of trying to tell the farmer how to run his business. The idea seems quite as absurd as the thought that a farmer can walk into an industrial plant and tell the management how to operate it.

The first inquiry to be made by the committee had to do with the question of prices for agricultural products and their parity, or lack of parity, with the prices for all commodities. Fortunately, the Federal Government provides us with ample statistics in its weekly compilation of wholesale prices of some 784 commodities with index numbers for "all farm products" separated from "all commodities."

What does this comparison show?

Taking the period from 1900 to 1937, it is significant that during 18 years the index numbers for agricultural prices exceeded those for all commodities, while the reverse was true during 19 years. This leaves but one year (the base year, 1926) when they were at parity. In other words, during half of the time prices for farm products slightly exceeded prices for all commodities, and the reverse was true during the remainder of the period. Taking the average for 38 years, deviation from parity amounted to only 0.13 per cent, and this was in favor of agriculture. It is a marvelous thing that under the natural economic laws so nearly an absolute equilibrium was maintained, especially in view of the fact that during this period the world has gone through its most trying economic experience.

Study of these index numbers year by year discloses, however, that great disequilibrium develops during periods of tremendous upward and downward movement of prices. During 1917, 1918, and 1919, when the United States was engaged in the World War, the prices of farm products advanced much more rapidly and much farther than the prices for all commodities, so that in the year 1919 the index number for "farm products" stood 19 points above the index for "all commodities." During the downward swing of the recent depression, prices for agricultural products similarly went down first, faster and farther, so that by 1932 the wholesale price index for farm products stood at 16.6 points under the index for all commodities. During the year 1936 and the first half of 1937 the two sets of index numbers are almost in exact equilibrium.

These facts disclose that during long reasonably normal periods, while individual commodities or groups of commodities may temporarily get out of line, a constant readjustment, largely automatic, is taking place so that as nearly an absolute equilibrium is maintained as can reasonably be hoped for. On the other hand, during great catastrophes or upheavals, such as the World War, inflation, deflation, and so on, individual commodities and, in fact, whole groups of

commodities may get as much as 25 per cent out of line with other major commodities or groups of commodities.

The major results disclosed from this study are that all groups (with almost no exception) do move in the same direction, and move at the same rate and to the same extent, but adjustments are constantly made to maintain absolute equilibrium or parity.

PRICE MOVEMENTS of farm and other commodities do not, however, tell the whole story of the economic interdependence of agriculture and the manufacturing industries of the United States. Another interesting comparison is the "gross value of farm products" with the "total value of products of the manufacturing industries."

There is some danger in using this comparison because in the case of manufacturers the same product is frequently counted two or three times. The value of the products of the manufacturing industries includes the cost of raw materials and many of the products of agriculture. It also includes most of the materials produced by lumbering, mining, quarrying, and fishing and we must not overlook the fact that the finished product of one set of manufacturing establishments represents the raw material for the next set. But we can make a comparison with great accuracy by reducing total values in each case to the form of index numbers.

Taking as the base period 1923-1925=100, as is done by the Federal Reserve Board and many other institutions, we find that in 1927 the index number for manufacturing establishments was 101.8, while the index for agriculture was 101. When we reached the bottom of the depression in 1933 the index for the manufacturing industries stood at 50.9, while that for agriculture was 55.7. In other words, the value of the products of manufacturing industries in 1933 was only a little more than one-half of their value in the base period of 1923-1925 while the value of farm products was nearly 56 per cent of their value during the base period.

PHYFE

INDUSTRIALIST, MERCHANDISER, CITIZEN

Born in Creston, Iowa, educated at the State University of Iowa, Lewis H. Brown followed a road to the presidency of the Johns-Manville Corporation which led him through army service and merchandising. His leadership in industry has been recognized by his appointment to several public commissions.

Following the World War and until 1927 he was associated with Montgomery Ward & Co. In that year he became assistant to the president of Johns-Manville and in 1929 succeeded to its headship. In 1933 he also served as president of the Asbestos Institute.

In 1929 Mr. Brown was appointed chairman of the Noise Abatement Commission of New York City and following that was a member of advisory committees under two national administrations, the President's Emergency Committee for Unemployment, in 1930-1931, and the Durable Goods Industries Committee, in 1934-1935.

But by 1935 the value of the products of manufacturing industries had jumped to 74.2 per cent of their value during the base period while the value of farm products advanced to 73.9 per cent. Since that time, parity of the value of these products has been practically restored.

	Manufacturing Industries Total Value of Products		Agriculture—Gross Value of Farm Products	
	Millions	*Index*	*Millions*	*Index*
1923....	$60,556	98.3	$11,041	96.0
1925....	62,714	101.7	11,968	104.0
1927....	62,718	101.8	11,616	101.0
1929....	69,961	113.5	11,941	103.8
1931....	41,350	67.1	6,968	60.6
1933....	31,359	50.9	6,406	55.7
1935....	45,760	74.2	8,508	73.9

It is a commonplace to say that farmers sell to manufacturers and that manufacturers sell to farmers. It is much more concrete to point out that in the base year 1923 gross farm income from farm production was valued at $11,041,000,000, while wages paid by manufacturing industries amounted to $10,999,000,000. In other words, these two figures were almost exactly $11,000,000,000. Taking this as a starting point and following through to 1929, we find that in that year gross farm income was estimated at $11,941,000,000 and wages paid by manufacturing industries were $11,607,000,000. In very large measure these items rise and fall together and tend to illustrate further the interdependence of these two great divisions of economic activity.

A further illustration of the extent and character of interdependence between agriculture and industry is shown by the fact that by 1935 gross farm income had reached a point equal to 73.9 per cent of gross income during the base period 1923-1925, while total value of manufactured products had reached a point equal to 74.2 per cent of the value of manufactured products during the base period.

Perhaps it is even more important to note that taking all manufacturing establishments, the cost of materials, contain-

(Continued on page 48)

AN ANALYSIS OF THE STATE FAIR TRADE LAWS

MARK MERRELL *and* SUMNER S. KITTELLE

PRIOR to the approval on August 17 of the Tydings-Miller Act permitting flow of resale price contracts across State lines, the operation of State fair trade laws, which permit resale price contracts in intrastate commerce, was greatly limited. Today the whole fair trade movement takes on tremendous proportions. Many producers who have stayed clear of price contracts in the past will now rush to capture the dealers' good-will by attempting to blanket forty-two States with them.

Operation under the State laws is not so simple as many believe. In the first place, the fair trade laws follow the wording of two separate models. The original California statute after its validity had been upheld in December, 1936, by the United States Supreme Court was redrafted by the National Association of Retail Druggists in order to clear up some of its loopholes and ambiguities of language. Of the forty-two fair trade laws in existence today, twenty-one follow the original California law, seventeen the revised model and four are hybrids. But to complicate matters further, the majority of the laws do not follow their models verbatim.

Now that the Supreme Court and the high courts of five separate States have upheld the constitutionality of the fair trade laws, opponents of resale price maintenance will probably concentrate their attacks upon the wording of the laws, seeking loopholes through which price-cutting can be carried on. They are pretty certain to study carefully every contract in order to determine if its terms are within the meaning of the State statute under which it is issued. It is important that business men and their attorneys thoroughly understand the laws themselves before a price contract program is instituted.

For this reason, we present first an analysis of the two basic laws and then show in what way each State law differs from the model it attempts to follow. They fall in these classes:

Old Model Law
(Based on original California statute)

Arizona	New Mexico
California	New York
Illinois	North Dakota
Iowa	Ohio
Kentucky	Oklahoma
Louisiana	Pennsylvania
Maine	South Carolina
Massachusetts	Tennessee
Michigan	Washington
New Hampshire	Wisconsin
New Jersey	

New Model Law
(Based on model drafted by the NARD)

Arkansas	Montana
Connecticut	Nebraska
Florida	North Carolina
Georgia	Oregon
Idaho	South Dakota
Indiana	Utah
Kansas	West Virginia
Maryland	Wyoming
Minnesota	

Hybrid Laws
(Containing provisions from both models)

Colorado	Rhode Island
Nevada	Virginia

Note: This article is a part of a handbook on the fair trade laws which is being written by the authors.

PART 1—ANALYSIS OF THE TWO MODEL LAWS

BELOW we present, in parallel columns, the full texts of the two model laws. All wording of the new model at variance from that in the California prototype is put in italics that the reader may quickly spot essential differences. Analytical notes appear after each major subdivision of the laws to explain points of interest. Note that the sections of the old California law have been rearranged to conform to those of the new model.

I. TITLE AND DEFINITIONS

New Model

An act to protect trade-mark owners, *producers,* distributors and the *general* public against injurious and uneconomic practices in the distribution of *competitive commodities bearing* a distinguish*ing* trade-mark, brand, or name, *through the use of voluntary contracts establishing minimum resale prices and providing for refusal to sell unless such minimum resale prices are observed.*

Old Model

An act to protect trade-mark owners, distributors and the public against injurious and uneconomic practices in the distribution of articles of standard quality under a distinguished trade-mark, brand, or name.

Section 1. The following terms, as used in this Act, are hereby defined as follows:

A. "Commodity" means any subject of commerce.

B. "Producer" means *any* grower, baker, maker, manufacturer, *bottler, packer, converter, processor,* or publisher.

C. "Wholesaler" means any person selling a commodity other than a producer or retailer.

D. "Retailer" means any person selling a commodity to consumers for use.

E. "Person" means an individual, a corporation, a partnership, an association, a joint-stock company, a business trust, or any unincorporated organization.

Section 3. The following terms, as used in this Act, are hereby defined as follows:

"Commodity" means any subject of commerce.

"Producer" means grower, baker, maker, manufacturer or publisher.

(The California law does not contain comparable definitions.)

Note: Changes in the title are in the interest of a fuller description of the law and its purpose, and are not of special importance. Changes in the definitions were made for the purpose of clarification.

II. CLAUSE LEGALIZING RESALE PRICE CONTRACTS

New Model

Section 2. No contract relating to the sale or resale of a commodity which bears, or the label or *container* of which bears, the trade-mark, brand, or name of the producer or *distributor* of such commodity and which *commodity* is in *free* and open competition with commodities of the same general class produced or *distributed* by others shall be deemed in violation of any law of the State of (name of State where Act is to be passed) by reason of any of the following provisions which may be contained in such contract:

Old Model

Section 1. (a) No contract relating to the sale or resale of a commodity which bears, or the label or content of which bears, the trade-mark, brand, or name of the producer or owner of such commodity which is in fair and open competition with commodities of the same general class produced by others shall be deemed in violation of any law of the State of California by reason of any of the following provisions which may be contained in such contract:

Note: This clause in the old law was carelessly worded. The new law attempts to clarify it. For example, the word "content" in the old law obviously was intended to mean "container." The words "producer or owner" in the old draft are changed in the new to "producer or distributor" to make clear that resale price contracts may be issued upon trade-marked goods even if the trade-mark owner does not actually make them, but has them made for him. The words "fair and open competition" were carelessly chosen and may yet cause trouble. Price-cutters may raise the question in court as to whether the producer of a particular product is competing fairly or unfairly with producers of similar products. Obviously the word should be "free" as it is in the new model.

III. CLAUSE SPECIFYING WHAT THESE CONTRACTS MAY CONTAIN

A. Agreement on the Part of the Buyer

New Model

Section 2. (continued) (A) That the buyer will not resell such commodity *at less than the minimum* price stipulated by the *seller.*

(B) That the *buyer will* require *of any dealer* to whom he may resell such commodity *an agreement* that he will not, in turn, resell *at less than the minimum* price stipulated by the *seller.*

Old Model

Section 1. (a) (continued) That the buyer will not resell such commodity except at the price stipulated by the vendor.

2. That the vendee or producer require in delivery to whom he may resell such commodity to agree that he will not, in turn, resell except at the price stipulated by such vendor or by such vendee.

Note: In the first of these two clauses, the sole difference is that the old model law requires the contract to specify an absolute price, while the new model requires that it specify only a *minimum* resale price. Technically under the old law the buyer cannot sell either below or above the price stipulated. Actually, most of the contracts in States with this type of law stipulate minimum prices; it seems unlikely that anyone will attack the practice.

In the second clause above, the language of the old law is faulty. The trouble lies in the use of the words "in delivery" in lieu of "any dealer." In Pitman shorthand the two expressions look deceptively alike, which may account for the error. Nine of the States which copied the California law copied this typographical error.*

* The following States adopted the words "in delivery" in lieu of "any dealer": Arizona, Iowa, Louisiana, New Jersey, New York, North Dakota, Pennsylvania, Tennessee, and Washington.

On March 30, 1937, a New Jersey court of equity refused to enjoin price-cutting under that State's fair trade law, giving as one reason for its action that this section of the law was meaningless. Later, however, the New Jersey Court of Errors and Appeals, in *Johnson & Johnson* v. *Weissbard*, looked behind the awkward phraseology and applied its true meaning.

B. Agreements on the Part of the Seller

New Model	Old Model
Section 2. (continued) *(C) That the seller will not sell such commodity: (1) to any wholesaler, unless such wholesaler will agree not to resell the same to any retailer unless the retailer will in turn agree not to resell the same except to consumers for use and at not less than the stipulated minimum price, and such wholesaler will likewise agree not to resell the same to any other wholesaler unless such other wholesaler will make the same agreement with any wholesaler or retailer to whom he may resell; or (2) to any retailer, unless the retailer will agree not to resell the same except to consumers for use and at not less than the stipulated minimum price.*	(The California law does not contain anything comparable to this provision.)

Note: One object of this clause in the new law is to give express legislative recognition to the right of the seller to refuse to sell to price-cutters and to those merchants, who, while not themselves price-cutters, deal with price-cutters. More important, however, its object is to permit resale price contracts to contain clauses expressly binding the seller to exercise his right of refusal-to-sell. This gives small retailers a club to keep the producer from taking an indifferent attitude towards price stabilization once he has gone through the motions of issuing price contracts. Experience in the past has demonstrated the need for such a club, from the retailers' point of view. A number of manufacturers have issued fair trade contracts merely as a gesture, with no thought of enforcing them and have burdened the dealers' task of enforcement with a policy of continuing to sell to price-cutters.

IV. PROHIBITION OF INDIRECT METHODS OF PRICE-CUTTING

New Model	Old Model
Section 3. *For the purpose of preventing evasion of the resale price restrictions imposed in respect of any commodity by any contract entered into pursuant to the provisions of this Act (except to the extent authorized by the said contract):* *(a) The offering or giving of any article of value in connection with the sale of such commodity;* *(b) The offering or the making of any concession of any kind whatsoever (whether by the giving of coupons or otherwise) in connection with any such sale; or* *(c) The sale or offering for sale of such commodity in combination with any other commodity, shall be deemed a violation of such resale price restriction, for which the remedies prescribed by Section 6 of this Act shall be available.*	(The California law does not contain anything comparable to this provision.)

Note: The purpose of this provision is obvious; its method of achieving the purpose is somewhat drastic, but perhaps this is necessary to make it effective. Actually there would be no harm in selling a price-protected item in combination with another, if the price for both were high enough to include the minimum price on one and a fair price for the second article in the combination. However, it is impossible to state what is a fair price for the second article and the price-cutters have taken advantage of this to evade the spirit of the fair trade law.

It would seem that the law ought to permit two price-protected items to be sold in combination if the total price

were the sum of the two minimum prices. Technically, however, the provision does not permit even this. Likewise, it does not permit the giving of a trading stamp even where the cash value of the stamp is added to the minimum price of the article. But it should be noted that if these rules are too harsh they may be softened as to any particular product by the provisions of the contract. One highly important point to remember about this clause is that its provisions bind all persons whether parties to fair trade contracts or not.

V. LIMITATION OF PERSONS WHO MAY ISSUE CONTRACTS

New Model	Old Model
Section 4. *No minimum resale price shall be established for any commodity, under any contract entered into pursuant to the provisions of this Act, by any person other than the owner of the trade-mark, brand, or name used in connection with such commodity or* [*by*] *a distributor specifically authorized to establish said price by the owner of such trade-mark, brand, or name.*	(The California law does not contain anything comparable to this provision.)

Note: The Supreme Court's opinion was the inspiration for this provision. The Court based the validity of the fair trade law upon the ground that it is a method of protecting the good-will of the trade-mark owner. If this is true, it follows that no one but the trade-mark owner or his agent should initiate resale price contracts. This clause in the new model definitely outlaws wholesalers' so-called omnibus contracts except when such contracts are made by authority of the manufacturers involved.

Although the California law does not contain this clause in so many words, the opinion of the Supreme Court has, in effect read such a limitation into it. The word "by" enclosed in brackets was in the original draft of the model. The National Association of Retail Druggists later saw the mistake and recommended the deletion of this word. They were too late, however, to prevent it from going into the laws of eleven States, and in these States there may be some question whether the trade-mark owner can delegate to a distributor his power to issue contracts.*

* The word "by" in Section 4 of the new model appears in the following eleven States: Arkansas, Connecticut, Georgia, Idaho, Indiana, Kansas, Montana, Nevada, South Dakota, Utah, and West Virginia.

VI. EXCEPTIONS TO MINIMUM RESALE PRICES

New Model	Old Model
Section 5. *No contract containing any of the provisions enumerated in Section 2 of this Act shall be deemed to preclude the resale of any commodity covered thereby* without reference to such *contract* in the following cases:	Section 1. (b) Such provisions in any contract shall be deemed to contain or imply conditions that such commodity may be resold without reference to such agreement in the following cases:
(A) In closing out the owner's stock for the *bona fide* purpose of discontinuing *dealing in* any such commodity *and plain notice of the fact is given to the public: provided the owner of such stock shall give to the producer or distributor of such commodity prompt and reasonable notice in writing of his intention to close out said stock, and an opportunity to purchase such stock at the original invoice price;* *(B) When the trade-mark, brand, or name is removed or wholly obliterated from the commodity and is not used or directly or indirectly referred to in the advertisement or sale thereof;*	1. In closing out the owners' stock for the purpose of discontinuing delivering any such commodity.
(C) When the goods are *altered, second-hand,* damaged, *defaced,* or deteriorated and *plain* notice *of the fact* is given to the public *in the advertisement and sale thereof, such notice to be conspicuously displayed in all advertisements and to be affixed to the commodity;*	2. When the goods are damaged or deteriorated in quality and notice is given to the public thereof.
(D) By any officer acting under *an order* of court.	3. By any officer acting under the orders of any court.

Note: The new model provides that the distributor must give reasonable notice to the producer of his intention to discontinue stocking a fair trade product and the opportunity for the producer to buy the merchandise back. The other major change is the addition of the clause permitting the resale of the product at cut prices when the trade-mark is removed. This is based on a statement of the Supreme Court that nothing in the law prevents a retailer from selling goods at any price he pleases under such a condition. Therefore, although this clause does not appear in so many words in the old law, it is present by implication. Shortly after the National Association of Retail Druggists issued the new model, it sent out a form letter suggesting the deletion of this trade-mark removal clause, probably because it felt it to be unnecessary and that it might put bad ideas into the heads of the price-cutters. The suggestion came too late to stop the clause from going into fifteen of the new laws.*

Other differences between the old and new models quoted above are minor. They are designed either to clarify the language or tighten the law against possible evasions.

* The trade-mark removal clause appears in the fair trade laws of these fifteen States: Arkansas, Colorado, Connecticut, Georgia, Idaho, Indiana, Kansas, Maryland, Montana, Nebraska, North Carolina, South Dakota, Utah, West Virginia, and Wyoming.

VII. THE NON-SIGNERS' CLAUSE

New Model	Old Model
Section 6. Wilfully and knowingly advertising, offering for sale or selling any commodity at less than the price stipulated in any contract entered into pursuant to the provisions of this Act, whether the person so advertising, offering for sale or selling is or is not a party to such contract, is unfair competition and is actionable at the suit of any person damaged thereby.	Section 1½. Wilfully and knowingly advertising, offering for sale or selling any commodity at less than the price stipulated in any contract entered into pursuant to the provision of Section 1 of this Act, whether the person so advertising, offering for sale or selling is or is not a party to such contract, is unfair competition and is actionable at the suit of any person damaged thereby.

Note: This provision is practically the same in both drafts. Having received the sanction of the Supreme Court, the clause was left alone lest any change be used as a springboard to a new constitutional test case.

VIII. MISCELLANEOUS PROVISIONS

New Model	Old Model
Section 7. This Act shall not apply to any contract or agreement between *or among* producers *or distributors* or, *except as provided in subdivision (C) of Section 2 of this Act,* between *or among* wholesalers, or between *or among* retailers, as to sale or resale prices.	Section 2. This Act shall not apply to any contract or agreement between producers or between wholesalers or between retailers as to sale or resale prices.
Section 8. If any provision of this Act, *or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provisions to other persons or circumstances, shall not be affected thereby.*	Section 4. If any provision of this Act is declared unconstitutional it is the intent of the legislature that the remaining portions thereof shall not be affected but that such remaining portions remain in full force and effect.
Section 9. *All Acts or parts of Acts inconsistent herewith are hereby repealed to the extent of such inconsistency.*	(The California law does not have a clause to repeal inconsistent Acts.)
Section 10. This Act may be known and cited as the "Fair Trade Act."	Section 5. This Act may be known and cited as the "Fair Trade Act."

Note: Whatever differences in language between the New Model Law and the Old Model Law appear in these clauses are purely for clarification and cause no basic change in the purpose or in the effects of the laws.

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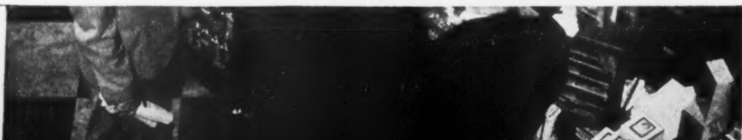

PART 2—VARIATIONS IN THE LAWS FROM THE TWO MODELS

WE shall now examine the main textual variations from their prototypes in each of the forty-two State fair trade laws. This analysis should be read in reference to the comparison of the two model laws just given above. References in Roman numerals refer to the principal divisions of the laws as set forth under the several headings in Part 1.

OLD MODEL FAIR TRADE LAWS

A. States which follow the original California law with only minor differences in language:

Arizona	New Jersey
California	New York
Iowa	Pennsylvania
Louisiana	Tennessee

B. States which follow the original California law with differences in language as noted:

Illinois—(a) It contains no definitions of terms (See I). (b) It corrects the awkward wording of the clause specifying agreements on the part of the buyer (See III). (c) It requires the dealer, before conducting a close-out sale at cut prices, to notify the manufacturer of the commodity ten days in advance, giving him an opportunity to buy back the goods at the original invoice stock price (See VI).

Kentucky—Follows the same variations as Illinois.

Maine—Follows the same variations as Illinois, but contains the following additions: (a) Minimum prices are specified (See III). (b) The following clause appears: "Any person, firm, corporation or incorporated trade association may maintain an action in the supreme judicial or superior court to enjoin a continuance of any act or acts in violation of Section 2 of this Act (the non-signers' clause) and, if injured thereby, for the recovery of damages. If, in such action the court shall find that the defendant is violating or has violated any of the provisions of Section 2 of this Act, it shall enjoin the defendant from a continuance thereof. It shall not be necessary that actual damages to the plaintiff be alleged or proved. In addition to such injunctive relief, the said plaintiff shall be entitled to recover from the defendant three times the amount of the actual damages, if any, sustained." The most important part of this clause is the provision for triple damages. Maine and New Hampshire are the only States with such a provision.

Massachusetts—Follows the same variations as Illinois.

Michigan—Follows the same variations as Illinois except (a) it contains the definitions in the California model plus additional definitions of "trade-mark, brand, or name," "person," and "retailer" and also (b) an exemption for farmers' co-operatives (See I).

New Hampshire—Follows the same variations as Maine.

New Mexico—(a) This law clarifies the awkward language found in the clause specifying agreements on the part of the buyer (See III). (b) It permits cut prices "in closing out . . . the owners' stock *or any part thereof* for the purpose of discontinuing delivering any such commodity." (See VI).

The purpose of the italicized words is not clear. If a stock of a commodity is to be closed out, it would seem that the whole stock should be sold, otherwise the clause becomes a loophole for price-cutting. It may be, however, that the purpose of these words is merely to indicate that the retailer does not have to liquidate every commodity in his store and go out of business in order to take advantage of this clause.

North Dakota—Contains (a) the more detailed definition of "producer" as it appears in the new model (See I) and (b) an exemption for goods "when sold for taxes or other liens." (See VI).

Ohio—The law follows the California model except: (a) It repeats in the body of the law a statement of its purposes as set forth in the title; (b) "Commodity" is defined as "any subject of commerce bearing a trade-mark, brand, or name"; (c) "Trade-mark, brand, or name" are defined; (d) It provides for minimum prices; (e) The awkward language of the clause specifying agreements on the part of the buyer is clarified (See III); (f) It requires ten days' notice on close-out sales (See VI); (g) The non-signers' clause is modified by the addition of a clause specifying who may sue a violator (including the producer, retailers, and any other person) (See VII); and (h) There is added to the separability clause a provision stating the law does not apply to interstate commerce (See VIII).

Oklahoma—This law differs from the old model in the following respects: (a) "Producer" is defined to include "distributor" but it does not include "publisher." (b) It provides for minimum prices. (c) The non-signers' clause contains the following proviso: "Provided that the provisions of this Section shall not render any newspaper or other advertising medium liable in damages for running any ad furnished them by a vendor of such merchandise." (See VII).

South Carolina—This law follows the old model except that the awkward language of the clause specifying agreements on the part of the buyer is clarified (See III). It requires ten days' notice on close-out sales (See VI). Damaged or deteriorated goods can be sold at cut prices only after one week's notice of the condition of the goods has been published in a newspaper in the county where the dealer does business (See VI).

Washington—This law varies from

the old model only by including the ten days' notice clause on close-outs.

WISCONSIN—This law deviates from the old model in the following respects: (a) The definition of "producer" omits "publisher" (See I); (b) The awkward wording in the clause specifying agreements on the part of the buyer is clarified (See III); (c) A retailer may sell at cut prices in closing out his stock "or any part thereof" when discontinuing delivering any such commodity (See VI); (d) It omits the clause exempting sales by court officers (See VI); (e) Co-operative societies and associations not organized for profit are exempted from the Act (This clause, however, was declared unconstitutional by the State's high court.); (f) The law contains a clause permitting the State Department of Agriculture and Markets, upon complaint of any person that the price set in any contract under the Act is unfair and unreasonable, to hold a hearing on the question. If it finds the price unfair and unreasonable, it may declare the contract in restraint of trade.

NEW MODEL FAIR TRADE LAWS

A. The following States contain the word "by" before the words "a distributor" in the clause specifying who may issue contracts (See V). These States also contain the trade-mark removal clause (See VI). Other variations from the new model, if any, will be found noted after each State.

Arkansas	Indiana
Connecticut	Montana
Georgia	South Dakota

IDAHO—In addition, this law has the following variations: (a) The word "grocer" appears instead of "grower" in the definition of "producer" (See I); (b) An additional definition of "distributor" is included which defines "any person authorized by the producers or manufacturer of a commodity to sell the same at wholesale or retail" (See I); (c) Ten-day notice of close-out sales is required instead of "reasonable notice" (See VI).

KANSAS—In addition, this law includes the word "registered" before the words "trade-mark, brand, or name" in the section legalizing resale price contracts (See II).

The question is where must the trade-mark, brand, or name be registered. If registration with the Patent Office in Washington is sufficient, national manufacturers will suffer no inconvenience, but if registration under the Kansas trade-mark law is required, it may dissuade manufacturers from utilizing the Act. According to the sponsors, the legislature did not intend to require registration in Kansas. It will take a court decision to settle the matter.

UTAH—In addition, this law covers commodities sold through vending machines bearing a trade-mark, brand, or name (See II).

WEST VIRGINIA—In addition, this law has the following variations: (a) The word "publisher" is omitted from the definition of "producer"; (b) In buying back goods that are to be closed out, the producer or distributor must allow "transportation, storage, or other legitimate or regular costs" to be added to the invoice cost (See VI); (c) The exemption by an order of court is expanded (See VI).

B. In the following States the word "by" before the words "a distributor" in the clause specifying who may issue contracts has been omitted (See V). Other variations from the new model will be found noted after each State.

FLORIDA—The trade-mark removal clause is omitted from this law (See VI).

MARYLAND—The trade-mark removal clause is included (See VI).

MINNESOTA—The trade-mark removal clause is omitted (See VI).

NEBRASKA—This law follows the new model with the following exceptions: (a) The trade-mark removal clause is included; (b) The provisions prohibiting indirect price-cutting are omitted (See IV); (c) The following clause is added: "Any producer or wholesaler of any commodity or commodities bearing a distinguishing trade-mark, brand, or name, may refuse to sell such commodity or com-

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modities to any buyer who shall fail or refuse either (a) to execute a contract establishing minimum resale prices on such commodity or commodities or (b) to observe the minimum resale prices established in any such contract entered into by and between such producer or wholesaler and such buyer"; (d) The word "wholesaler" instead of "distributor" appears in the clause specifying who may issue contracts (See V).

North Carolina—The law follows the new model with the following exceptions: (a) The trade-mark removal clause is included. (b) It contains in the definition of "person" the following clause: "'Person' shall not include the State of North Carolina or any of its political subdivisions." This ties in with a provision (c) tacked onto the end of the clause prohibiting horizontal price-fixing, reading as follows: "This Act shall not apply to any prices offered in connection with or contracts or purchases made by the State of North Carolina, or any of its agencies, or any of the political subdivisions of the said State." (See VIII). (d) The following clause is added to the section prescribing instances in which goods may be sold without reference to minimum prices: "When any commodity is sold to a religious, charitable, or educational organization or institution provided such commodity is for the use of such organization or institution and not for resale."

Oregon—This law follows the new model except (a) the trade-mark removal clause is omitted and (b) a phrase is added which permits resale price contracts to be issued upon commodities sold through vending machines bearing trade-marks, brands, or names (See II).

Wyoming—This law follows the new model with the following exceptions: (a) The trade-mark removal clause is included. (b) Before a dealer closes out a stock at cut prices, he must offer it back to the producer or distributor "from whom the same was purchased" (See VI). (c) It contains a clause requiring the attorney-general or county prosecuting attorneys to institute *quo warranto* proceedings against any foreign or domestic corporation that violates the Act. The object of these proceedings is to terminate the corporation's right to do business in the State. (d) This is the only fair trade law which provides criminal penalties for violation. The criminal clause reads as follows: "Any person, firm or corporation, official or employee violating any of the provisions of this Act shall be fined in any sum not more than five hundred ($500.00) dollars, or by imprisonment in the county jail not exceeding one year or both such fine and imprisonment."

Note that this drastic clause covers employees as well as their employers. This means that a clerk who "wilfully and knowingly" sells an item in the store below the minimum price fixed in any resale price contract is liable to be fined and imprisoned. Someone is sure to challenge its constitutionality.

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HYBRID FAIR TRADE LAWS

The following fair trade laws follow certain provisions found in both of the model laws examined above. When the high court in New York in January, 1936, ruled the non-signers' clause to be unconstitutional in the *Macy* v. *Doubleday Doran* case, the National Association of Retail Druggists drafted an intermediate model law to get around this decision. The fair trade laws in Rhode Island and Virginia, however, were the only States to follow some of the provisions in this proposed draft. Reference in the discussion of these hybrid laws is made to the two models examined in Part 1.

Colorado—This law copies provisions from both models. Its title is from the old model; its definitions come from the new, but under the definition of "person," the words "public trust" are substituted for "business trust" (See I).

The section legalizing resale price maintenance contracts and prescribing what they may contain follows the new model, but it omits the clause permitting contracts to contain refusal-to-sell provisions (See II and III).

This law contains no clause prohibiting indirect price-cutting (See IV), and no clause specifying the persons who may issue resale price contracts (See V).

The clause specifying the conditions under which the dealer may ignore contract prices is a confusing mixture of provisions from both model laws. Before the retailer closes out a stock of goods at cut prices, he must offer it back to the producer "or to the distributor, from whom the same was purchased." This differs from the new model which requires that he offer it back to the producer "or distributor" without specifying what distributor.

Like the new model, this law permits the dealer to sell a commodity at cut prices provided the trade-mark is removed or obliterated (See IV). Like the old model, the only injured goods that may be sold at cut prices are those

that are "damaged or deteriorated in quality."

Like the new model the law requires notice of the condition of these goods to be "conspicuously displayed in all advertisements," but, unlike the new model, it does not require that such notice be affixed to the goods themselves (See VI).

Attached to the separability provision of this act is the following clause, not contained in either model (See VIII): "...but no part of this Act shall prevent the payment of patronage refunds by co-operative agencies or associations existing and operating under the laws of this State." This would permit a consumers' co-operative, for example, to sell a price-protected item to one of its members at the minimum contract price, and later refund part of the price to the member in the form of a patronage dividend.

NEVADA—This law is a combination of both the old and new models with added provisions. It is possible, however, to compare it with the new model. Its chief variations are as follows:

(a) The definition of a "wholesaler" is omitted (See I).

(b) Resale price contracts may be written under this law upon commodities sold through vending machines bearing a trade-mark, brand, or name, a provision which would permit resale price maintenance on gasoline sold through trade-marked pumps, for example (See II).

(c) In the section validating resale price contracts, the phrase "fair and open competition" appears (See II).

(d) The minimum price stipulated in the contract must be increased by the amount of any State sales or excise taxes (See III).

(e) In the clause specifying agreements on the part of the buyer appears a double negative that reverses its intended meaning. It says: "that the vendee . . . require any person . . . to agree *not* to resell such commodity at *not* less than the minimum price . . ." (See III).

(f) The clause in the new model permitting resale price contracts to contain refusal-to-sell provisions does not appear in this law (See III).

(g) The section in this law prohibiting indirect price cutting (See IV) omits two clauses of the model—Section 3 (a) and (b). The provision pertaining to close-out sales in this law does not require that the retailer first notify the producer or distributor or give them an opportunity to buy back the goods (See VI).

(h) The clause in the new model permitting goods to be sold at cut prices when the trade-mark is removed or obliterated does not appear in this law (See VI).

(i) The clause permitting goods that are in bad condition to be sold at cut prices does not include second-hand or defaced goods. Defaced goods may, however, fall under the categories of "damaged," "altered," or "deteriorated" merchandise (See VI).

(j) The word "by" appears before the words "a distributor" in the clause specifying the persons who may issue contracts (See V).

RHODE ISLAND—This law follows neither the new nor the old model, but an intermediate model issued by the National Association of Retail Druggists early in 1936. Virginia is the only other State to follow the 1936 model, but neither State followed this model exactly and there are great differences between the law of Virginia and of Rhode Island. The following are the major points of interest in the Rhode Island law:

(a) The definitions are like those in the new model except that the definition of "producer" does not include bottlers; the definition of "person" is omitted; and the following definition of "resale" is added: "'Resale' means any sale by the purchaser of a commodity made in the State of Rhode Island or in any other State, territory, or the District of Columbia, where contracts made lawful by this Act are valid, by a wholesaler or a retailer, and 'to resell' means to make a 'resale' as herein defined." There is some question under this definition as to whether "made" modifies "sale" or "commodity." If the latter, it means that the law does not apply except to commodities manufactured in Rhode Island or some other State having a fair trade law. Under this construction, the law might be declared unconstitutional on the ground that it discriminates arbitrarily against the products of other States.

(b) The clause legalizing fair trade contracts is like that in the new model except that it does not cover commodities bearing the trade-mark of anyone but the producer (See II). Branded products cannot come under the law unless the trade-mark owner actually grows, bakes, makes, manufactures, packs, converts, processes, or publishes the article.

(c) Resale price contracts may stipulate only minimum prices, not absolute prices. This accords with the new model (See III).

(d) This law does not expressly permit contracts to contain provisions binding the buyer to secure resale price contracts from his sub-vendees as does Section 2 (B) of the new model (See III).

(e) This law does contain, however, refusal-to-sell provisions like those in Section 2 (C) of the new model (See III).

(f) This law does not contain any provisions prohibiting indirect price-cutting, (See IV); nor does it contain any provision specifying the persons who may issue contracts (See V).

(g) The dealer, before closing-out goods at cut prices, must give the producer "prompt and reasonable notice," but he need not offer the goods back to the producer; nor need he apprise the public of the fact that the sale is a close-out (See VI).

(h) Sales at cut prices of goods in bad condition are limited to goods which are damaged or deteriorated in quality as in the old model (See VI).

(i) There is no clause permitting sales at cut prices of goods from which

(Continued on page 44)

MINICAMS *and* MINIFANS

ACME

THE STORY OF A NEW AND GROWING BUSINESS, BY

ROBERT BARTON

IF you haven't stepped inside a camera store lately, you'll be surprised. First of all you'll rub your eyes to discover that the camera business is important enough to support stores. The side-lines and accessories are amazing. And the variety challenges your checkbook.

If you're the lad who learned how to take pictures with a universal focus box camera which maybe you won by selling subscriptions to the *Youth's Companion*, you may recall wistfully the days when picture-taking was simple and inexpensive. Well it's still simple for those who demand it. The $2 Brownie you can buy today is much like the box camera of your youth, although possibly better, due to the use of plastics and other modern improvements. If you want to take pictures and are willing to allow yourself plenty of time and plenty of light, the initial cost is still pleasingly low.

But the camera industry has learned about trading up. Just as the furniture store permits you to prove to yourself that the $37.50 sofa would look shabby in your living-room and you must have something better, so the camera trade likewise has better things to offer you.

Eastman, for example, has a new Kodak Bantam Special, which is America's answer to the challenge of the German Leica. It uses a notched film which clicks and comes to stop when you have wound far enough. You need not open the little window in the back unless to see how many shots you have remaining. Of course the window on any camera must be kept covered with black court-plaster or something when you use the modern super-panchromatic film, so sensitive to light and color that red glass is no protection.

New Wrinkle

In fact, this high speed film must be developed in absolute darkness. For that reason a new trick has been worked out to save the developing department from annoyance. You do not need to tie a string or snap a rubber-band around the exposed spool. The ends of the spool exert sufficient tension on the green protecting paper to keep the film from unrolling.

I may speak with some authority about this Kodak Bantam Special, for there recently arrived in the family one which cost $110 (plus the Ohio sales tax of 3 per cent). Fortunately there was a generous allowance for a six-year-old movie camera which was no longer used. But the camera itself is not enough. You need an exposure meter ($22.50) and a tripod ($5) and some floodlights (only 25 cents apiece, and another quarter for cardboard reflectors). If you attempt action pictures indoors, or wish, let us say, to photograph night scenes around a boy scout camp-fire, then you get yourself a holder for flash-bulbs (15 and 25 cents, according to size and usable only once).

Your film, happy to state, costs you only 20 cents for eight exposures. Developing is a dime; sometimes 15 cents. Contact—remember the word—prints cost about 2½ cents. They will be tiny, but you can get them promptly. Perhaps you will not need to order any prints at all until the film is developed and returned to you, and then you can see which shots justify enlarging and preserving. One or two may be good enough to blow up to 3 by 4 or 5 by 8 inches or to some other impressive size.

You can easily see that to establish

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your miniature camera hobby and to sustain it in a manner to which it will rapidly become accustomed will require several hundred dollars. Yet even at such costs, camera manufacturers are over-sold. Accessories and supplies are being bought in record volume. Retailers are selling new cameras and equipment hand-over-fist, and apologizing to impatient customers who, with money in hand, await their turn to have their orders filled.

Although the effects of the minicam (miniature camera) fever are apparent on every hand, it is impossible to appraise them in dollars and cents, for the boom is still rolling forward and will not halt to have its force or volume measured. And, with the spending spree extending in so many directions, nobody can say with certainty where to draw the line and to begin to total the dollar value of the craze.

Terrific

The fact-minded observer is obliged to fall back on the language of Hollywood and describe the nation's newest hobby in such generalities as "gigantic," "stupendous," and "colossal."

Nobody knows how many miniature cameras are in use in America today, but, from such rough calculating as has been done, a guess of a quarter-million would probably be more of an understatement than an exaggeration. Certainly there seem to be that many photographers wherever you go. You see them everywhere, in the city and the country, indoors and out of doors, snapping, snapping by day and by night the heavens and the earth and all that in them is.

With their initial momentum and prestige, it is not strange that German cameras still are coveted and sell as fast as they are imported, but no one name will serve, any longer, to represent the types, styles, and makes from which the bewildered amateur is privileged to choose.

In the May, 1937, issue of *American Photography*, the editor, with apologies for his sins of omission, endeavors to present a complete tabulation of minicamera makes and models, with useful technical information as to each one. There is not space here to reproduce the table (which, however, is recommended to anyone who may be planning to join the army of minifans), but it describes 34 cameras making negatives up to 1 3/16 by 1 9/16 inches and 57 others making negatives up to 2¼ by 3¼ inches.

Questionnaire

A leading publication in the camera field recently sent a questionnaire to about one-third of its subscribers, and about one-third of these responded with the desired information. Over 54 per cent owned minicameras, as compared to 24 per cent who owned home movie equipment. The average number of cameras owned was 2.8 a subscriber. The report blanks further yielded the astonishing information that the average subscriber owned photographic equipment representing an investment of $1,022.09 and spent $254.13 annually on his hobby!

Even if these figures are not typical of the magazine's readers, they are nonetheless extraordinary by reason of the fact that 85 per cent of the readers are amateurs.

The boom has reached every corner of the country. Every town and hamlet has its enthusiasts; every village has its retailers who supply films and act as agents for developing and printing services. Camera stores and sporting goods' dealers are busier than they have ever been in history. A typical store in Boston, which formerly was adequately staffed with one sales-person, now has six salesmen behind the counter, working and working hard, all day long.

Magazine Growth

A good index of the growth of the hobby is provided by the circulation figures of *American Photography*. In April, 1937, its print order was for 28,850 copies, as compared with 11,000 in April, 1931. By July, 1937, the figure was 41,000, an all-time high. Of the 28,850 April copies, yearly subscribers had trebled, news-stand buyers had more than doubled, and photographic supply dealers were selling four times as many copies as they had formerly sold. New York State, with more than 5,000, led in number of readers; then California with 2,500, followed by Massachusetts, Pennsylvania, Illinois, and Canada, all in the four-figure class. But every State and Territory was well represented in the list.

The experience of other "serious" publications in the photographic field is similar, and the news-stands give ample evidence of the current public demand for pictures. A number of new magazines for the amateur photographer have begun publication, with

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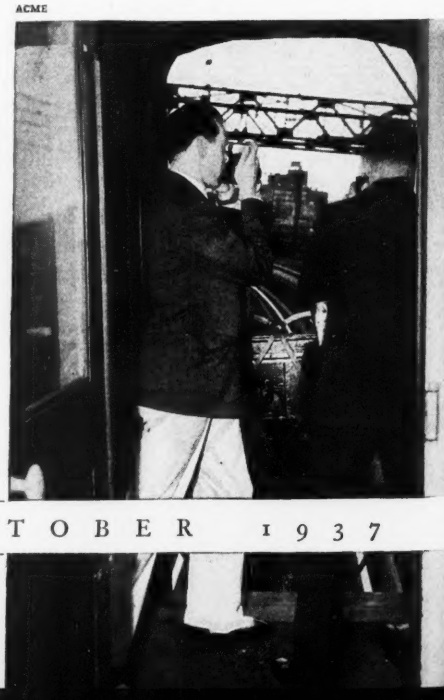

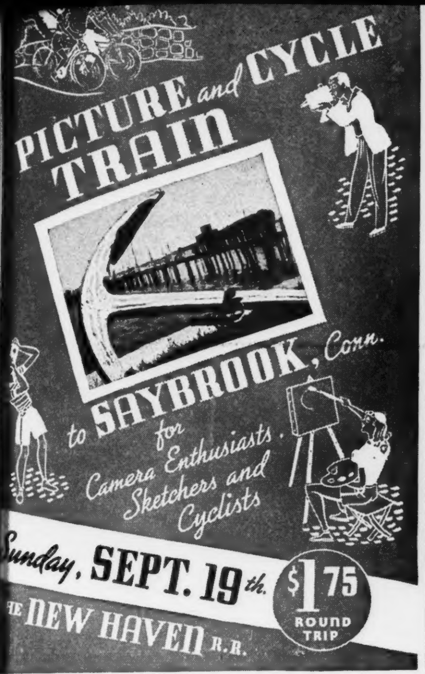

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When camera enthusiasts set forth on such junkets as the New Haven's excursion to Saybrook, Conn., they literally take possession of the train from end to end (see opposite page), and in their tireless efforts to procure eccentric shots even strew themselves about like baggage.

circulation claims which command attention, if not surprise. Most of these, however, are on the order of picture-books, more devoted to illustration than to instruction.

In the stock-room of one New England concern which supplies publications to the camera-retailing trade, an entire wall is lined with bins, each one filled with books on photography. Titles which formerly were ordered singly or in dozen lots are now ordered in units of a hundred. Last year 80 new books were published in the English language on various aspects of photography, more than twice as many as appeared in any previous year.

A popular restaurant in Chicago has designated one night a week when candid camerists have *carte blanche* to snap whatever and wherever they like. On that night the tables are crowded; camera fans swarm all over the place, from the front door to the kitchen, the stage and the dressing-rooms. They snap each other snapping; they snap the waiters, the other patrons, the proprietor, and the hat-check girl. And the other patrons join in the fun.

The New Haven Railroad, encouraged, no doubt, by its earlier successes with ski-trains and bicycle trains, announced an experimental "picture train" from New York to Stonington, Conn., early this Summer. A mimeographed *Picture Train News* and a descriptive guide enabled the passengers to make the most of their Sunday holiday, and a dark room was provided in a baggage car, where films could be changed. More than 200 enthusiasts enjoyed the excursion, and more than 150 others were on board when a similar train made its experimental run from Boston to Provincetown, on Cape Cod. Officials of the road were well pleased with their tests and immediately announced another train from Boston to Newport. Later in the Summer two other trains ran from New York.

Accessories

To estimate in hundreds the newcomers who have entered the field of developing and printing for amateurs is to employ a conservative unit of measure. And there is no way to total the number of people employed, nor the value of the products coming from the manufacturers of camera accessories. Light meters and carrying cases, flash-bulbs and tripods, equipment and chemicals for the amateur's dark room, various types of lenses and filters—these and hundreds of other articles, familiar or new, fill the display windows of camera stores and get their share of the disciple's golden tribute. The optical goods industry is grinding lenses for camera manufacturers and enjoying such a boom as it has seldom known.

As for the camera manufacturers, they are working to their capacity, trying to catch up with unfilled orders. Theirs has never been a big-employment industry, for the nature of the work is highly technical. If, therefore, in this height of its greatest boom, it has not importantly relieved unemployment, that surely is through no lack of eagerness on the employers' part. Production is their nightmare. Their only problem of personnel is to find skilled workers. It is safe to say that any trained man who can perform a useful service in a camera manufacturing plant can have a job by asking for it, if there is a machine or bench at which he can apply his skill.

Right here let us inject a word of highest praise for the products of these American workmen. The cameras of American make which are available today are the equal of Europe's best, in

comparable performance. American lenses are in every respect as perfect and as efficient as foreign lenses of similar type. Dollar for dollar, there probably is no better value in the store than an American-made minicam.

Apart from manufacturing and selling, there is a wholly different manner in which the minicam invites the interest of the business man. It was too good a machine to be a mere plaything for amateurs; it was too broadly adaptable to become monopolized by the limited circle of expert photographers. Its usefulness went far beyond the immortalizing of vacation scenes and baby's first step. Logically, therefore, the minicam is taking its place as one of the new tools of business. New-type lenses, of efficiency hitherto unknown, new and finer films in black and white and in natural colors, have made the modern camera an instrument of wide versatility.

To Cut Expenses

For example, the editor of a small trade publication has found his little camera to be not only the means of brightening his pages but of materially reducing his expense for illustrative material. Any advertising manager whose duties include the publication of a house organ may profit by his experience. Two years ago his photographic bill, following his trade's annual convention, was over $50. This year he took more pictures than he could use, and his total expense was a tenth as much.

A personnel director found employees reluctant to supply photographs of themselves for his files. Some had no recent photo to spare; some thought their only available photos were not becoming, or showed a dress that was out of style; some brought stiff-posed cabinet portraits in freshly pressed suits or confirmation dresses; some grumbled at the idea of "having their mugs in the rogues' gallery." By the simple plan of offering a print to each person whose picture he snapped with his minicam, the department manager had no trouble in completing his file, with recent and uniform pictures of the entire personnel.

The advantages of a handy camera to a real estate broker are obvious. He can save much of his own time and of his client's patience if, before starting on a tour of inspection, he can show pictures of the properties most likely to be of interest. At negligible cost he can have, and exhibit, pictures which show not only the front view of a house but all four sides of it, the proximity of the neighbors, the location of the garage, and as many views of the interior as he may care to take.

Whether or not a minicam can be of use in the average business is for the interested individuals to determine, but there is a good chance that it can be, to greater or lesser extent. In one food-packing plant there is a foreman who is a candid camera devotee. When he brought his little picture-shooter to the factory, his real purpose was not immediately apparent. For two or three days he snapped this and that, until the novelty of his activities died down and he could take the pictures he really wanted. A half-dozen shots of the packing line, enlarged and mounted in series, showed the girls, beyond any argument, how extra motions were slowing down their individual performances, and how lack of uniformity in their methods retarded the related operations and the speed of the group as a whole. With the evidence so clearly before them, and with a few days of adjustment to the new tempo, the girls developed the precision of a ballet chorus.

For Architects

A landscape architect tries to deny that he is a minifan, but he has his camera with him, always, when he is planning the arrangement of a piece of property. With a few snapshots to supplement his measurements and his usual notes, his work at the drawing-board is greatly simplified. At a glance, his memory is fortified as to just where a certain big tree stands, what contour the natural hedge has assumed, what slope there is to the land, and just where the afternoon shade will fall on the terrace he plans to provide.

ATLAS

Definition: A minifan is one who would rather have this picture to paste in his scrapbook than see the touchdown itself.

Other Uses

With portrait lenses and copying attachments, the minicam brings its usefulness to people in many business and professional fields. A dentist may take "before and after" pictures, or record the progress of an unusual case. A laboratory technician can keep a photographic diary of his white mice, show the gradual stretch of material under test for tensile strength, or accurately record any other experiment without the trouble and expense of setting up the customary large camera. An inventor can make pictorial evidence of his gradual development of a new device. A contractor, working for an absent client, might show the progress of the work or explain, far more clearly and convincingly than words make possible, an unforeseen condition necessitating a change of plans.

It would seem that the future could only be bright for a machine which has so convincingly demonstrated its right to permanent acceptance. The fact that in two or three years' time it has given the photographic industry such a boom

(Continued on page 44)

MERCHANDISING PROBLEMS OF GROCERY *and* CANDY WHOLESALERS

GEORGE T. BRISTOL
Editorial Staff, Dun's Review

Here there are reported new ratios resulting from surveys of wholesale operating experience made by Dun & Bradstreet, Inc., *in co-operation with trade associations. This article summarizes the surveys in two lines, grocery and confectionery; next month the highlights of the surveys for five other lines will be similarly briefed.*

SINCE the turn of the century, technology and the ebb and flow of economic tides have seemed to conspire against the venerable full-function wholesaler. For the most part the revolutionary changes which they have effected in the realm of distribution have been at the expense of his once-undisputed leadership.

Out of technology came mass production, and of the latter's many consequences two, mass distribution and the automobile, were especially portentious. Mass distributors, moreover—mail-order houses, chains, and department stores—were doubly powerful. Often bigger buyers, they could usurp the wholesaler's former bargaining advantage, and as sellers they were competitors not alone of the wholesaler but of his customers as well. Added to that, the automobile made it possible for his rural customers' customers to escape to the cities to patronize these rivals.

Bark, Not Bite

For two decades, however, a sellers' market generally prevailed and the mass distribution menace was more bark than bite. Then with the coming of the Twenties, economic changes brought ultimate conflict rapidly nearer. After falling precipitously from their 1920 peak, prices leveled out uncertainly, and the wholesaler, accustomed for a generation to a rising price slope, became an unwilling buyer. By refusing to buy the wholesaler failed to perform his traditional function, and impatient manufacturers groped for new ways to circumvent him. Thus was he vexed when a more potent economic force, the depression, redoubled the pressure of competition.

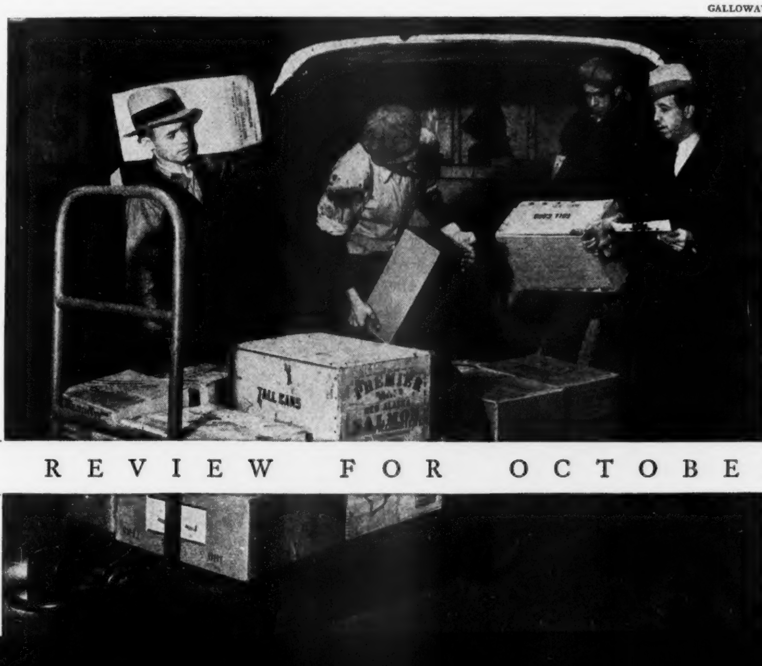
In more recent years constant change and experimentation have continued to characterize the distribution struggle. But in one significant respect the struggle has altered. The wholesaler is actively meeting his opponents, and on many fronts he has taken the aggressive. A fair share of the responsibility for present-day innovations in merchandising, government regulation, and taxation is his. But more than this, the wholesaler is strengthening his position through research, testing his merchandising policies with new yardsticks. To maintain profit margins in the face of more formidable competition he has tried many devices. His question now is: "In actual practice, do they succeed?" A second, broader question stands always behind the first, that is: "In general what distinctions appear between profitable and unprofitable enterprises in my trade?"

In the Research and Statistical Division of Dun & Bradstreet, Inc., surveys of wholesale operating experiences during 1936 in seven trades are now approaching completion. The basic data for these studies are operating ratios of a representative sample of wholesalers in each line of business. Questionnaires have been so constructed that returns can be classified in a manner which yields answers to as many of their problems as possible. The findings of the first two surveys, for the grocery and confectionery trades, have just been made available. Let us see what their peculiar merchandising problems are and what clues to profit-making appear in their operating experiences.

Dissimilarities

Aside from the qualities which groceries and confectionery have in common as foods, important dissimilarities far outnumber likenesses. Average sales of wholesale grocers are almost three times greater than sales of wholesalers in general; those of wholesale confectioners, less than one-third of the average volume. Wholesale grocers face mammoth competitors, the familiar chain systems and super-markets, and in order of importance the questions of voluntary chains and private

GALLOWAY



Grocery Trade: Typical Operating Ratios by Proportion of Perishable and Brand Merchandise Sold

Description of Concerns	All Concerns	Concerns Selling Perishable Merchandise — Per cent of net sales: 10 to 20	20 to 50	Concerns Selling Distributors' Brand Merchandise — Per cent of net sales: 10 to 20	20 to 30	30 to 50	60 or more
Number of concerns reporting	88	13	6	10	15	7	2
Number of profitable concerns	77	12	5	9	15	6	2
Aggregate net sales (in thousands)	$148,694	$31,195	$17,451	$18,887	$46,465	$12,308	$15,062
Average net sales (in thousands)	$1,690	$2,400	$2,909	$1,889	$3,098	$1,758	$7,531
Condensed Statement (Percentage of net sales)							
Cost of goods sold	89.1	90.3	88.2	89.2	87.6	87.1	83.4
Gross margin	10.9	9.7	11.8	10.8	12.4	12.9	16.6
Total expense	9.6	8.5	10.7	9.4	10.9	12.2	13.3
Operating profit (or loss)	+1.3	+1.2	+1.1	+1.4	+1.5	+ .7	+3.3
Profitable concerns: profit	1.7	1.3	1.5	1.6	1.5	1.4	3.3
Unprofitable concerns: loss	—1.5	— .8	—1.4	— .1	..	—3.6	..
Detailed Expenses (Percentage of net sales)							
Total selling expense *	2.6	2.3	3.0	2.9	3.3	3.4	4.6
Selling salaries	(2.3)	(2.0)	(2.7)	(2.5)	(2.8)	(2.8)	(3.4)
Advertising	(0.3)	(.2)	(0.2)	(0.3)	(0.3)	(0.3)	(1.2)
Total buying expense	.7	.4	.5	.4	.5	.7	.9
Total administrative expense	2.5	2.3	2.3	2.8	3.1	3.2	2.2
Total warehouse and shipping expense	1.4	1.2	1.7	1.4	1.6	1.8	2.3
Total delivery and cartage expense	1.3	1.5	1.9	1.1	1.4	2.0	1.6
Net rent	.5	.3	.7	.3	.4	.5	.8
Taxes	.6	.5	.6	.5	.6	.6	.9
Other Operating Ratios							
Inventory turnover (times per year)	6.3	8.2	6.1	5.9	5.2	5.5	5.2
Increase in sales from 1935	7.5	13.7	26.4	—8.9	9.7	— .8	.8

* Total selling expenses may include other items not detailed in addition to those in parentheses.

brands are near the top. Full-function wholesale confectioners are puzzled by a smaller, less widely-known competitor, the wagon jobber. Selling and delivering simultaneously and maintaining no separate sales force, a wagon distributor normally curtails expenses further by carrying a limited assortment of nationally advertised specialties.

In the Dun & Bradstreet surveys, operating ratios were tabulated for 88 grocery wholesalers, 68 confectionery distributors, and 19 wagon jobbers. In general their sales were considerably greater than the averages reported by the 1935 Census of Distribution, and in examining the figures it is advisable to remember that these concerns are representative of the larger and well-established houses, rather than the full range of types and sizes. As a result of the diverse requirements of the two trades, the surveys have not followed similar patterns, but many of the studies' subdivisions are broadly parallel. It is therefore possible for us to review their findings under a relatively small number of general topics, examining the respective experiences of the two trades in handling various merchandise lines, serving different classes of customers, selling on a cash and carry basis, and securing profitable operation.

Merchandise Lines

In groceries the subject of merchandise lines resolves itself into two questions, the first being: "Has the handling of perishable merchandise proved profitable?" Some grocery chains have undertaken to distribute perishables to their retail units, with unpublished and varying degrees of success. Should the wholesaler follow this trend?

The handling of a substantial amount of perishable merchandise apparently does increase selling, warehouse, and delivery expense, as the accompanying table shows. The six concerns which sold from 20 to 50 per cent of such merchandise also recorded a slightly smaller profit than did the thirteen whose sales of perishables ranged from 10 to 20 per cent. The latter enterprises in turn earned less than the average for all concerns. On the other hand, it may be significant that the increases in sales over 1935 figures are impressively greater in direct proportion to the quantity of perishable merchandise carried. Perhaps the added expense resulting from handling perishables in 1936 can be justified as a promotion or advertising charge, which, having turned new business to these distributors, may yield greater profits in 1937.

The second merchandise-line question which grocers ask is: "Does a house featuring its own brands increase its selling costs appreciably over the average?" This part of the Dun & Bradstreet study represents one of the first attempts to investigate the operating results of this phase of merchandising. The operating results of 34 concerns selling more than 10 per cent of their volume under private labels, grouped according to the proportion sold, appears in the table at the top of this page.

Both advertising and total selling expense clearly tend to rise with increases in sales of private brands. A glance at the profit margins and the average net sales of the four groups, however,

points to a more pertinent conclusion. The profits of these groups increase in direct relation to their size, reflecting possibly the practical difficulties of the smaller houses in arranging for special packaging. Perhaps the brand-expense question which grocers ask themselves should be: "What volume of business is necessary to make possible truly profitable sales with private brands?"

Important to "confectionery" wholesalers who sell both candy and tobacco are the relative influences of these two lines on gross margin and operating expense. Tentative conclusions emerge from an examination of the respective experiences of wholesalers whose sales are concentrated in one line or the other.

Nineteen concerns reported either that candy items made up more than 90 per cent of their sales or that tobacco made up less than 10. In thirteen houses either tobacco accounted for more than 70 per cent of their volume or candy less than 30. Impressive differences in margins and operating ratios resulted. Every item of expense recorded was larger in the case of candy wholesalers, and the total was more than twice that for the enterprises specializing in tobacco. The gross margin spread in confectionery was even greater, resulting in considerably larger profits. In tobacco inventory turnover is somewhat faster, and profits on net worth are perhaps more nearly equal. Sales of tobacco wholesalers, furthermore, increased at a more rapid rate from 1935 to 1936 than did those of houses specializing in candy.

Type of Clientele

In both the grocery and confectionery trades, wholesalers are curious about the effect on operating results of serving various types of customers. For grocery distributors the customer, or potential customer, which commands considerable interest is the voluntary chain. Either wholesaler-sponsored or retailer-owned, and organized to obtain chain-store advantages in buying, advertising, and other merchandising functions, voluntary chains grew rapidly until now there are about 950 of them, serving 125,000 retailers.

Of the 88 wholesale grocers participating in the Dun & Bradstreet survey nearly half sell to their own voluntary groups. In the great majority of instances distributors sponsoring voluntary groups have gone into this activity heavily enough to constitute a significant proportion of sales. (See accompanying table.) In fourteen cases it was more than 50 per cent. These concerns varied widely in size, ranging in annual sales from $215,000 to $4,000,000. Their average margin was not only smaller than those doing less voluntary group business, but lower also than that of other concerns of the same average size. Comparisons with that size group show that selling expense was only fractionally lower for voluntary-chain sponsors, and indeed other items of expense were higher. As a result, profits were narrow.

The three retailer-owned co-operatives returned a relatively small net profit. As the total expense item makes plain, however, their primary interest is in eliminating as many of the wholesalers' services as possible. Because retailers are disposed to judge the success of their buying organization in terms of low prices rather than net profits, the only sure test of the efficacy of the retail co-operatives would be an examination of the profits made by the retailers participating in the co-operatives.

Candy Problem

In the candy trade the customer problem is whether to sell to retailers or to wagon jobbers, who in turn sell to retailers. Substantially different operating ratios result from selling most of one's merchandise to one or to the other. Confectionery distributors who sold more than 90 per cent of their volume to retailers recorded expenses of 13.8 per cent, as against 8.2 per cent for those who sold at least 70 per cent to wagon jobbers. For the latter, warehouse charges were somewhat more, understandably, but other important items of expense—selling, delivery, and buying and administration—were con-

Grocery Trade: Typical Operating Ratios by Type of Wholesaler

Description of Concerns	Voluntary Group Sponsors — Per cent of net sales to members: Less than 10	10 to 50	50 to 100	Retailer Owned	Cash and Carry *
Number of concerns reporting	7	19	14	3	7
Number of profitable concerns	5	18	12	3	6
Aggregate net sales (in thousands)	$22,920	$50,513	$23,078	$5,069	$6,619
Average net sales (in thousands)	$3,274	$2,659	$1,648	$1,690	$945
Average per cent of credit business	93.4	81.6	67.8	80.0	26.8
Condensed Statement (Percentage of net sales)					
Cost of goods sold	86.5	88.6	90.9	95.3	91.4
Gross margin	13.5	11.4	9.1	4.7	8.6
Total expense	12.7	10.1	8.8	4.1	7.4
Operating profit (or loss)	+ .8	+1.3	+ .3	+ .6	+1.2
Profitable concerns: profit	2.0	1.4	1.0	.6	2.0
Unprofitable concerns: loss	—2.3	— .4	—3.5	..	—3.6
Detailed Expenses (Percentage of net sales)					
Total selling expense †	4.2	2.8	2.0	..	..
Selling salaries	(3.4)	(2.4)	(1.9)	..	..
Advertising	(0.5)	(0.4)	(0.1)	..	..
Total buying expense	.6	.5	.9	..	..
Total administrative expense	3.1	2.9	2.5	..	..
Total warehouse and shipping expense	1.8	1.5	1.4	..	..
Total delivery and cartage expense	1.5	1.4	1.4	..	..
All other expenses	1.5	1.0	.6	..	..
Other Operating Ratios					
Inventory turnover (times per year)	5.1	5.4	6.5	7.8	10.6
Increase in sales from 1935	4.4	4.5	5.7	9.1	12.9
Cash discounts to customers	.9	.8	.4	..	..

* Concerns selling more than 50 per cent of net sales on cash and carry basis.
† Total selling expenses may include other items not detailed in addition to those in parentheses.

Confectionery Trade: Effect of Credit Policies on Operating Ratios

Description of Concerns	Service Wholesalers: Sales for Cash	Service Wholesalers: Per cent of sales on credit 10 to 50	Service Wholesalers: Per cent of sales on credit 50 to 90	Service Wholesalers: Per cent of sales on credit 90 or more	Truck and Wagon Jobbers: Per cent of sales on credit 0 to 50	Truck and Wagon Jobbers: Per cent of sales on credit 50 to 100
Number of concerns reporting	8	9	36	15	13	6
Number of profitable concerns	8	8	28	11	11	6
Aggregate sales (in thousands of dollars)	1,361	917	6,069	3,681	738	324
Average net sales (in thousands of dollars)	170	102	169	245	57	54
Condensed Statement (Per cent of net sales)						
Cost of goods sold	82.5	85.9	85.5	83.2	83.3	83.8
Gross margin	17.5	14.1	14.5	16.8	16.7	16.2
Total expense	11.8	12.4	13.1	14.5	13.1	12.8
Operating profit (or loss)	5.7	1.7	1.4	2.3	3.6	3.4
Profitable concerns: profit	5.7	2.1	2.4	3.3	5.3	3.4
Unprofitable concerns: loss	..	—1.2	—1.8	—0.4	—5.4	..
Detail of Expenses (Per cent of net sales)						
Losses from bad debts	0.2	0.6	0.5	0.5	0.5	0.9
All other expense	11.6	11.8	12.6	14.0	12.5	11.9
Other Operating Ratios						
Inventory turnover (times per year)	12.8	27.7	16.8	13.3	16.4	9.5
Increase in sales from 1935	11.9	—0.7	13.2	4.6	16.8	10.5
Returns and allowances	0.5	0.5	1.3	2.1	0.4	1.3
Sales tax (% of gross sales)	0.2	0.2	0.2	0.2	0.1	0.2
Cash discounts to customers	1.6	0.9	1.0	2.0	1.2	3.2
Cash discounts received	1.7	1.3	1.7	2.0	1.8	1.8

Confectionery Trade: Operating Ratios by Type, Size, and Profit Status

Description of Concerns	Service Wholesalers: Total	Service Wholesalers: Profitable $7,000 to $100,000	Service Wholesalers: Profitable $100,000 to $1,200,000	Service Wholesalers: Unprofitable $10,000 to $100,000	Service Wholesalers: Unprofitable $100,000 to $800,000	Truck and Wagon Jobbers *
Number of concerns reporting	68	30	25	6	7	19
Aggregate sales (in thousands of dollars)	12,028	1,603	8,068	373	1,984	1,062
Average net sales (in thousands of dollars)	177	53	323	62	283	55
Condensed Statement (Per cent of net sales)						
Cost of goods sold	84.7	82.5	87.2	81.7	87.5	83.5
Gross margin	15.3	17.5	12.8	18.3	12.5	16.5
Total expense	13.1	13.7	10.7	19.4	14.1	12.9
Operating profit (or loss)	2.2	3.8	2.1	—1.1	—1.6	3.6
Profitable concerns: profit	3.0	..	..	..	..	4.6
Unprofitable concerns: loss	—1.3	..	..	..	..	—5.4
Detail of Expenses (Per cent of net sales)						
Total selling expense ‡	4.4	4.7	4.1	3.3	5.0	4.5
Selling salaries	(4.2)	(4.5)	(3.8)	(3.2)	(4.9)	(3.7)
Advertising	(0.2)	(0.2)	(0.3)	(0.1)	(0.1)	(0.8)
Total administrative and buying expense ‡	3.9	3.8	3.0	8.3	4.2	4.0
Administrative and buying salaries	(2.6)	(2.4)	(1.8)	(7.6)	(2.4)	(3.0)
Office salaries	(1.3)	(1.4)	(1.2)	(0.7)	(1.8)	(1.0)
Total warehouse expense ‡	1.6	1.8	1.2	3.3	1.1	1.0
Warehouse packing and shipping wages	(1.3)	(1.5)	(1.0)	(2.9)	(1.0)	†
Total delivery and cartage expense ‡	1.5	1.6	1.1	2.5	1.5	1.7
Delivery and cartage wages	(1.0)	(1.2)	(0.8)	(2.0)	(1.0)	†
Net rent	0.8	0.9	0.4	0.7	1.0	0.7
Losses from bad debts	0.4	0.5	0.4	0.5	0.5	0.6
Taxes	0.5	0.4	0.5	0.8	0.8	0.4
Other Operating Ratios						
Inventory turnover (times per year)	17.3	16.4	19.0	19.5	12.8	12.5
Increase in sales from 1935	9.2	6.7	12.8	7.6	8.1	14.3
Returns and allowances	1.3	1.0	1.6	0.1	1.0	0.7
Sales tax (% of gross sales)	0.2	0.3	0.2	..	0.3	0.1
Cash discounts to customers	1.3	1.2	1.2	1.6	1.5	2.2
Cash discounts received	1.7	1.8	1.6	1.1	1.7	1.8

* Range in size from $8,000 to $182,000 sales annually.
† Because so few concerns reported this information it is omitted as not being sufficiently representative.
‡ May include other expenses not listed. The percentages in parentheses may, but do not necessarily, add up to the totals above them.

siderably lower, less than half in every instance.

In selling to wagon jobbers gross margins were narrower, but an even thinner total expense item resulted in a slight profit edge over selling directly to retailers. But more than this, wholesalers selling to wagon jobbers turned their stock 20 per cent faster, and probably made even larger profits when computed on a net worth basis.

Despite the fact that the candy distributors who sell principally to wagon jobbers are more profitable than those who do not, the wagon jobbers themselves evidently operate on broader gross margins and secure larger profits (on both sales and net worth) than do full-function wholesalers. For one thing, wagon jobbers sell candy almost exclusively, and we have already noted that this is generally a more profitable line than tobacco.

Another question whose answer grocery and confectionery distributors are seeking is: "Does the development of cash and carry business appreciably reduce expenses?" The general assumption is that the nature of such trade results in a considerable saving, reducing delivery and credit costs. In actual practice, how far does this go?

Cash and Carry

In the grocery survey seven wholesalers were making more than 50 per cent of their sales on a cash and carry basis. Considered together, their performance was about what might be expected. Their margins and expenses were about 40 per cent below the averages for all wholesalers of comparable size, and earnings on net worth were also about equal to the averages for wholesalers of comparable size. Possibly this conclusion should be treated with some caution, however, for one enterprise, which did 75 per cent of its business with its own voluntary group and experienced an operating loss even so, may unduly depress the profit item. For cash and carry houses, sales increases were between two and three

(Continued on page 46)

THE BUSINESS DIARY AUGUST · 1937

Vacation fever reaches Congress, which adjourns stormy session, failing to pass many Administration "must" measures. . . . Labor circles quieter. . . . Rediscount rates lowered. . . . Undeclared but vigorous warfare rages between China and Japan, menacing foreign interests. . . . Spanish situation continues as threat to European peace.

3 SEC announces adoption of rules for security transactions in over-the-counter markets, effective October 1, 1937. Republic Steel denies NLRB charges and challenges constitutionality of Labor Relations Act. Pound reaches high for the year.

5 Ranger victorious in America's Cup races.

6 United States extends most-favored-nation treatment to Soviet in new commercial pact.

8 NLRB rules power generation as commerce if transmission lines cross State borders.

9 CIO opens textile drive. Thousands return to work as Ford plants resume operations and strike of Plymouth Division of Chrysler ends.

10 Board of Governors of Federal Reserve Bank adopts resolution requiring certain types of bank loans to investment trusts to comply with usual marginal requirements; purchases of debentures exempt. Wisconsin Labor Relations Board rules it has jurisdiction over companies in interstate commerce.

11 Gold shipments to United States resumed after lapse of nearly a month.

13 Chinese and Japanese begin warfare in Shanghai.

14 Tennessee Public Utilities Commission rules Tennessee Electric Power Company may build plant rather than purchase power from TVA.

16 Municipal Bankruptcy Bill becomes law.

17 1,200 United States marines ordered to reinforce U. S. troops in Shanghai.

18 District of Columbia Tax Bill, carrying Miller-Tydings Price Maintenance Bill as rider, gains White House signature. President assails opponents in address at Virginia Dare celebration (Fort Raleigh, N. C.).

19 Senator Hugo L. Black receives commission to Supreme Court. State Department makes public agreement to lease six obsolete warships to Brazil. House Rules Committee officially shelves Wages and Hours Bill until next session.

20 U. S. Treasury bonds suffer sharpest decline since Spring.

21 Congress adjourns.

23 Federal Deposit Insurance Corporation bars payment of interest by insured banks on some demand deposits of States and municipalities, creating conflicts with some State laws.

25 President signs compromise court bill, pledges renewed fight for court reorganization. Edward F. McGrady, Assistant Secretary of Labor, announces his resignation, effective early in September.

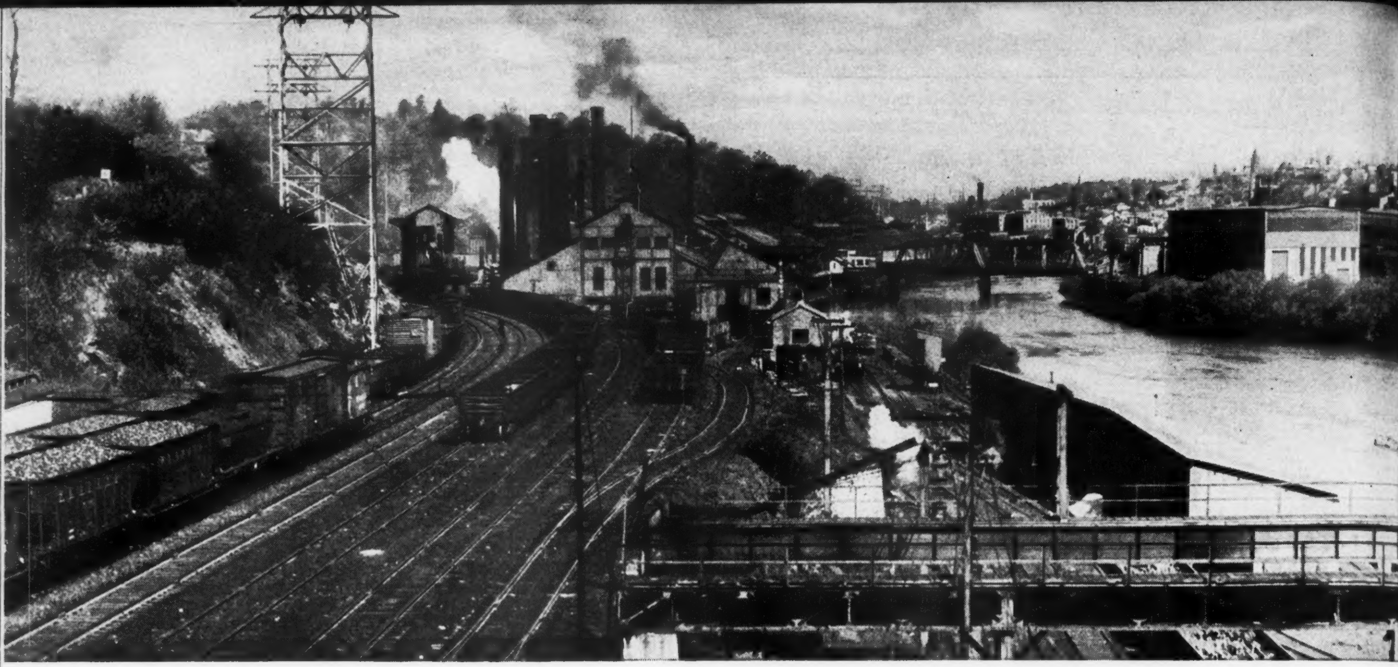
26 Andrew Mellon dies at age of eighty-two. Federal Reserve Bank of New York reduces discount rate from 1½ to 1 per cent, establishing a new low for a central bank, effective August 27. Tax loophole bill signed.

27 UAW votes $400,000 fund to fight Ford.

29 China and Russia announce signing of non-aggression pact.

30 President signs bill for idle census, registration voluntary. Louis retains world heavyweight title in close battle with Farr.

31 NLRB sets aside order of District Judge, challenged by CIO, directing National Electric Products Company to adhere to pact with AF of L union.



GENDREAU

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

Outstanding in August business phenomena was the high productivity maintained in steel, automobile, and electric power industries. In September, steel rates, previously bolstered by backlogs, began to decline to meet current demand. The anticipated upturn in building continued to hold off. Wholesale prices receded, but regained early August levels near the end of September. Wall Street turned skittish, and bonds and stocks reached the year's lows.

WITH activity on the whole maintained well above last year, business men find it difficult to put a finger on an explanation of the present uncertainty. "Watchful waiting" characterizes industry. A shaky market, which can break rather badly on an excuse of war fears, has probably contributed its share of sobering influences.

From the statistical point of view, the advance forward seems to have lost something of its former momentum. Gains over last year tend to be more moderate, but any comparisons must take into account the unusual rapidity of last Fall's pick-up.

Industrial production, which had held to the June levels during July, showed signs of increased activity in August, carrying the seasonally corrected index of the Federal Reserve Board to 117 (preliminary) from the level of 114 maintained in the two preceding months.

Steel output for the month was 6.7 per cent ahead of July, and 16 per cent above last August. No August since 1929 has reached these rates. Orders were slow, however, and though early September showed a moderate improvement over the same period of August, it was not sufficient to stem the shrinkage in backlogs. The sharp decline in operating rate occurring in the holiday week has been only partially overcome in the following period. In the week of September 20 occurred the lowest rate for the year, aside from five-day and strike weeks.

The tendency at present in the steel industry is to adjust operations to current demand, and from now on the rate is expected to reflect more directly the volume of new business. The bright spot for the industry continues to be the activity of farm implement and container manufacturers.

Electric power production, stimulated in August and the first week of

Industrial Production

Federal Reserve Board Adjusted Index 1923-1925 = 100

	1934	1935	1936	1937
January	78	90	97	114
February	81	90	94	116
March	84	88	93	118
April	86	86	101	118
May	86	85	101	118
June	84	87	104	114
July	76	86	108	114
August	73	88	108	117*
September	71	91	109	...
October	74	95	110	...
November	75	96	114	...
December	86	101	121	...

* Preliminary.

Factory Payrolls

U.S.B.L.S. Index—1923-1925 = 100

	1934	1935	1936	1937
January	54.6	65.0	73.8	90.7
February	61.3	70.0	73.7	95.8
March	65.6	71.7	77.6	101.1
April	68.1	71.7	79.3	104.9
May	68.1	69.4	80.8	105.2
June	66.0	67.4	81.1	102.9
July	61.4	66.5	80.2	101.2
August	63.2	71.0	83.5	...
September	59.1	73.7	83.6	...
October	62.2	76.4	89.0	...
November	60.7	75.6	90.7	...
December	64.2	77.6	95.2	...

September by unusual weather conditions, reached new weekly highs, but by the fourth week of the month the adjusted index had dropped to the lowest point since January.

Activity in the automobile industry during August, after corrections for seasonal factors, was at the highest peak since October, 1929. Output fell to lower levels—as was to be expected —when plants began preparations for new models. Motor officials are said to look to a 1938 volume equalling 1937 sales, despite price advances and less favorable credit terms.

The August upturn in machine tool production has given way to a lag in early September. Textiles continue slow while the industry awaits the effect on prices of a bumper crop.

While the number of persons employed in factories rose slightly from June to July, payrolls showed a definite decrease. The factory payroll index dropped to 101.2 from 102.9 in June but continued to hold approximately 26 per cent above last year. The number of registrants with the United States Employment Service at the end of August was 29 per cent less than a year ago, and almost 2 per cent less than July.

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	June 1937	July 1937	Aug. 1937	Sept. 1937
I	87.1	87.2	87.4	86.4
II	86.7	87.7	87.5	86.8
III	86.5	87.8	87.3	87.4
IV	86.7	87.5	86.5	
V		87.5		

Led by the downward movement of farm products, indexes of wholesale commodity prices continued a moderate decline from mid-July levels through August. War fears in the first part of September accounted for an increase in some lines, notably grains, flour, rubber, and hides. Cotton rallied, but again lost ground on publication of the crop report. At the end of the second week in September, prices stood at 86.8 per cent of the 1926 average, and 6.5 per cent above a year ago. Sharp increases in prices of farm products and foods carried the index to 87.4 in the week ending September 18.

With advances in all major groups except farm goods, the cost of living rose 0.1 per cent from July to August. Although living costs are now approximately 4 per cent higher than a year ago, the larger increases in earnings give the average worker a good margin of additional buying power.

August reports of retail trade activity were not over-encouraging to business. The seasonally adjusted index of department store sales reached a new low level for the year. Total sales (unadjusted) were 5.5 per cent above August, 1936, and nearly 11 per cent above July, 1937. Chain and variety store sales declined in August from July, reaching a level about 3 per cent above August, 1936.

Department Store Sales

Federal Reserve Board Adjusted Index
1923-1925 = 100

	1934	1935	1936	1937
January	73	76	81	93
February	73	77	83	95
March	76	79	84	93
April	76	75	84	93
May	75	74	87	93
June	73	79	87	93
July	73	80	91	94
August	76	77	86	91
September	74	81	88	..
October	74	78	90	..
November	75	82	94	..
December	77	83	92	..

The heaviness of ore shipments was the most favorable factor in distribution. Car loadings during August and the first week of September were 4 per cent above last year. A decline, slightly less than seasonal, occurred during the holiday week, but preliminary figures for the week ending September 18 indicate an upturn. Gross earnings of railroads in July were 4.4 per cent above last July, but due to a sharp advance in operating costs net revenues declined.

The volume of building contracts awarded in August was 11 per cent lower than in July. Approximately two-thirds of the drop was a reflection of a decline in publicly financed work. Residential contracts fell below the total for the corresponding month of the previous year for the first time during the recovery period, but this may be due to the fact that a large public housing project greatly inflated last August's figures. An upturn in residential construction was reported early in September, although higher costs appear to have cut down any rapid advances for the industry.

Though the stock market during August was comparatively slow, the New York Stock Exchange average daily trading being 662,021, compared with 828,891 in July, industrial stock prices reached the highest levels since March. A decline, beginning in the end of August, developed on September 7 into a selling wave which carried both bonds and stocks to new 1937 lows. The average of stock prices stood at 161.41 for the week ending September 18; and at 153.07 in the fourth week. With transactions of more than 2,000,000 on three days, the daily trading for the first three weeks of September has been more than double the August average.

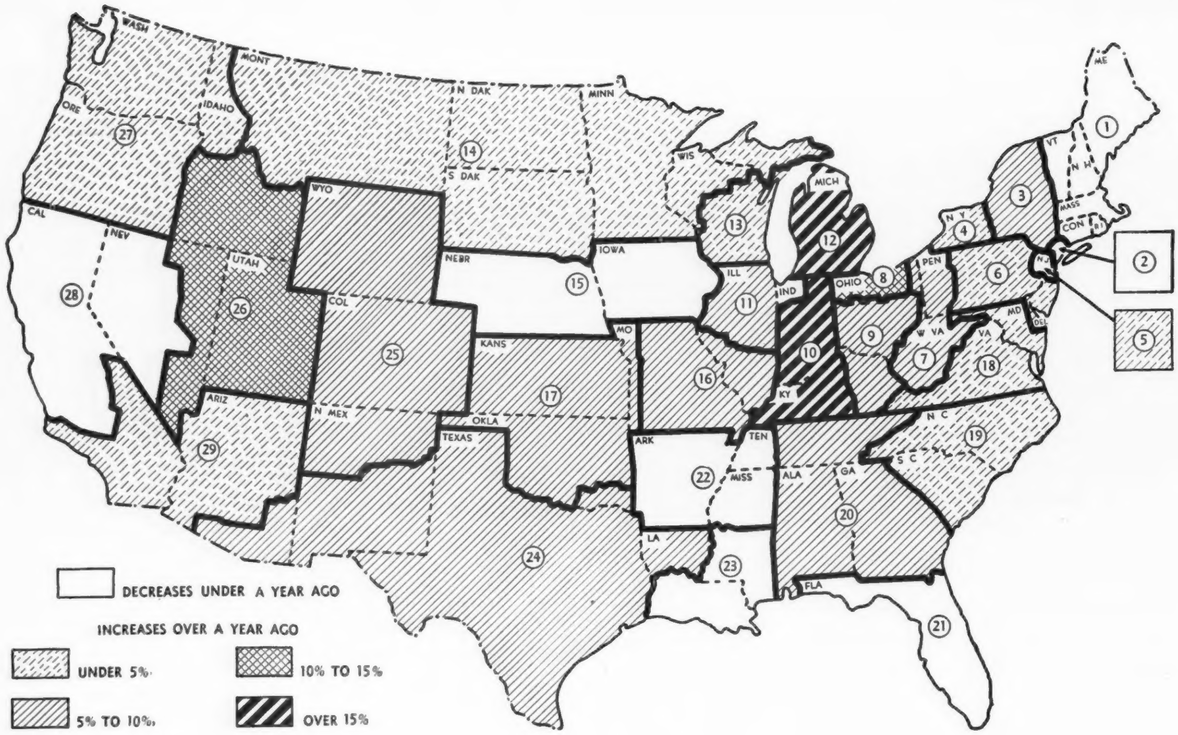
Industrial Stock Prices

Dow-Jones Index (Weekly Average)

Week	June 1937	July 1937	Aug. 1937	Sept. 1937
I	173.44	169.10	186.26	173.99
II	172.46	177.27	187.89	162.41
III	167.32	179.08	186.23	161.41
IV	168.89	183.22	179.39	
V		183.98		

Bank debits outside of New York City in August dropped 8 per cent below July and the same amount below last August. Totals for the early part of September indicate a further decrease. In New York City, the August decline was even more rapid, with totals falling 20 per cent below July levels. August was 6 per cent under last August, but the first two weeks in September showed a drop of more than 13 per cent from last year.

Business loans of member banks continued steadily upward, with an increase of $82,000,000 in the first two weeks of September. Excess reserves, benefiting by the Treasury's desterilization action, jumped $120,000,000 in the week ending September 18.



TRADE 4.9 PER CENT ABOVE LAST YEAR

The United States Trade Barometer rose slightly above the June level in July, but suffered a fractional loss from July to August. Trade Barometers for the United States and 29 regions are prepared by L. D. H. Weld, Director of Research of McCann-Erickson, Inc.

A MODERATE expansion in trade from June to July carried the United States Barometer up 1.1 points to 96.2. The index indicates that in this July consumers spent approximately 5 per cent more than they did last year—a comparatively slight increase, considering that four times earlier in the year the monthly Barometer registered gains of more than 13 per cent over the corresponding 1936 levels. A preliminary figure of 95.9 for August indicates that the relative steadiness of trade activity was maintained through the Summer months.

An unusual feature of trade activity during July was the number of regions showing declines from their 1936 levels. Compared with two decreases in June, the record for 1937, in July seven regions dropped below the same month of last year. The largest loss—3.6 points—again occurred in Iowa-Nebraska. Although other decreases were comparatively small, four being only fractional, they are indicative of the reduced rate of trade acceleration which was reflected also in the movement of the general index.

The largest gains over last year and over last month occurred in Detroit, where the Barometer jumped upward to 115.5 from its June level of 103.6, and from its last July level of 96.2. Other regions showing unusually good comparisons with last year were: Cleveland, Cincinnati and Columbus, Indianapolis and Louisville, and Salt Lake City.

More active buying in northern New Jersey during July carried the Barometer for that region up from its position of low point for the country. Its place was taken by New England which dropped almost two points from its June figure, reaching 83.7, the low index for the month.

According to reports of Dun & Bradstreet branch offices, weather conditions during August and early September played one of the main rôles in the directing of business activity throughout the country. The slowness of retail

trade in many sections was attributed both to heat, which retarded Fall apparel buying, and to the heavy rains, which discouraged shopping. Excessive moisture, particularly in the Southern cotton regions, and drought in the North Central section lowered crop and range estimates, and somewhat reduced the prospects of future rural buying.

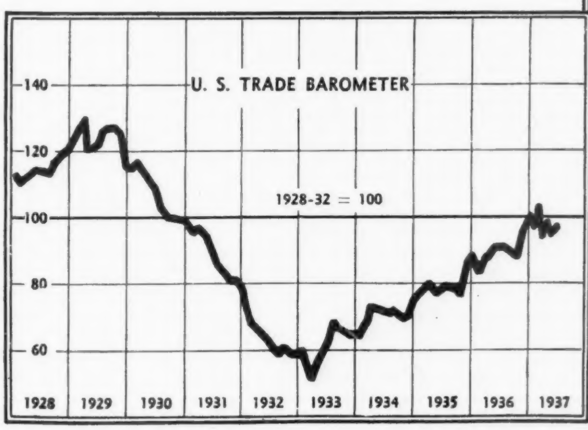
Farm prosperity, however, continued to be considered the most encouraging factor in the Fall trade outlook. Flour millers and farm implement manufacturers were already noting the effects of a larger rural purchasing power. In the majority of the country regions both sales and collections were considered improved, although some sections reported that much of the increase in incomes appeared to be diverted to clearing up old debts, rather than making new purchases.

A definite improvement in retail sales occurring after Labor Day was maintained through the middle of the month. Notwithstanding a general confidence in the Fall pick-up, both sellers and manufacturers showed little desire to build up reserves.

THE MAP AND CHART compare the July, 1937, indexes with those for the same month a year ago. In the column at the extreme right of the chart there is indicated the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

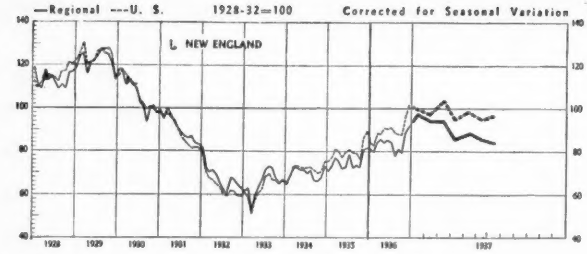
THE INDEXES for the regions (charted, with U. S., from 1928, on pages 30-34; five months' figures on page 34) are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales, and in region 2, advertising linage, which were found to make those indexes more accurate, are included. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for July based on samples of department stores reporting to the Federal Reserve banks; for August and September based on opinions and comments of business men in various lines of trade, gathered and weighed by the local Dun & Bradstreet offices in making up their estimates.



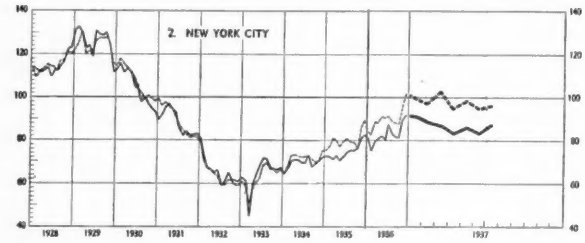
REGIONAL TRADE BAROMETERS

	REGION	July 1937 Regional Index	July 1937 Compared with July 1936 (%)	1935 Retail Sales (%)
	U. S.	96.2	+ 4.9	100.0
1.	NEW ENGLAND	83.7	— 0.8	7.8
2.	NEW YORK CITY	86.8	— 0.5	10.3
3.	ALBANY AND SYRACUSE	97.2	+ 7.4	2.6
4.	BUFFALO AND ROCHESTER	89.5	+ 3.1	1.9
5.	NORTHERN NEW JERSEY	90.1	+ 1.8	2.9
6.	PHILADELPHIA	91.0	+ 2.6	6.2
7.	PITTSBURGH	97.3	+ 5.2	3.7
8.	CLEVELAND	104.4	+10.9	2.9
9.	CINCINNATI AND COLUMBUS	107.8	+ 9.9	3.1
10.	INDIANAPOLIS AND LOUISVILLE	116.9	+15.1	2.6
11.	CHICAGO	98.3	+ 5.2	6.4
12.	DETROIT	115.5	+20.1	4.0
13.	MILWAUKEE	99.4	+ 4.9	2.2
14.	MINNEAPOLIS AND ST. PAUL	101.4	+ 1.2	4.5
15.	IOWA AND NEBRASKA	88.2	— 3.6	3.0
16.	ST. LOUIS	99.9	+ 6.7	2.5
17.	KANSAS CITY	102.3	+ 9.5	3.6
18.	MARYLAND AND VIRGINIA	106.6	+ 0.3	3.8
19.	NORTH AND SOUTH CAROLINA	107.0	+ 2.7	2.1
20.	ATLANTA AND BIRMINGHAM	110.1	+ 8.9	3.5
21.	FLORIDA	108.0	— 0.1	1.3
22.	MEMPHIS	92.6	— 1.6	1.5
23.	NEW ORLEANS	95.9	— 1.8	1.0
24.	TEXAS	116.8	+ 8.0	4.5
25.	DENVER	112.7	+ 5.1	1.3
26.	SALT LAKE CITY	100.5	+10.2	.8
27.	PORTLAND AND SEATTLE	97.9	+ 4.8	2.7
28.	SAN FRANCISCO	100.0	— 0.2	3.4
29.	LOS ANGELES	100.9	+ 0.7	3.9



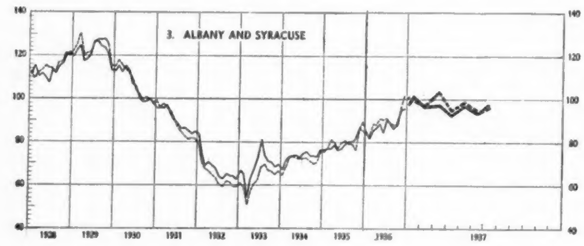
REGION 1: JULY, 83.7 JUNE, 85.6 JULY 1936, 84.4

JULY—Percentage department store sales changes from previous July: Boston —7, Providence +6, New Haven +7. AUGUST—Percentage retail trade changes from previous August: Bangor +3, Portland +5, Manchester 0, Boston 0, New Bedford +11, Springfield —5, Worcester +1, Providence +2, Hartford +5, New Haven +7. Wholesale trade changes: Portland +10, Boston +5, Springfield —5. Farm products up from last year; prices good. Payrolls and production steady in Bangor, Burlington, and Manchester; above last year elsewhere. Boston textile industry declining; shoe production increasing. Resort trade well above last year. Collections prompter in New Bedford; steady elsewhere. SEPTEMER—New Haven retail trade slower. Boston wool markets dull; mill operations at low level.



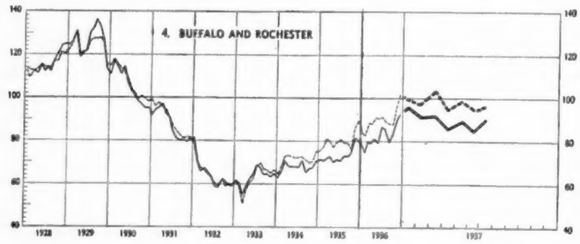
REGION 2: JULY, 86.8 JUNE, 83.5 JULY 1936, 87.2

JULY—Percentage department store sales increases over previous July: New York City 0.1, Bridgeport 21, Westchester-Stamford 4. AUGUST—Percentage retail trade increases over previous August: Bridgeport 10, New York City parcel deliveries 4. New York City employment up 8%, payrolls up 11% over July; building permits down 20% from July, but 8% above last August. Increase of 6% over last year in total hotel sales. Grain receipts only 28% of August, 1936, total. Retail coat and fur sales not up to expectations. SEPTEMBER—Toy orders up 10%; retail sales 3 to 5% above same period last year. Cotton goods more active under stimulus of recent price reductions, principally in towels and linens.



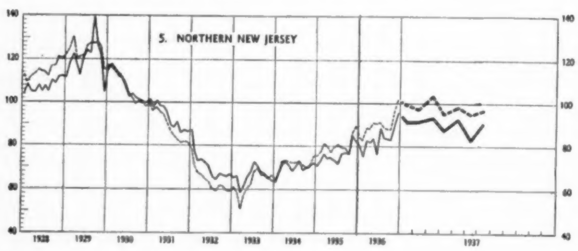
REGION 3: JULY, 97.2 JUNE, 93.7 JULY 1936, 90.5

JULY—Percentage department store sales increases over previous July: Syracuse 11, Capital District 4. AUGUST—Percentage retail trade changes from previous August: Albany 0, Binghamton +5, Gloversville —5, Utica +5, Syracuse +8. Wholesale trade changes: Albany —10, Syracuse +10. Truck and other crops in good yield; prices steady. Production and payrolls up from last year in Albany and Syracuse; steady in Utica; down elsewhere. Slight let-down in Utica textile and manufacturing lines; smaller backlog of orders. Reduced working week in Binghamton shoe industry. Collections prompter than last year in Albany and Syracuse; steady elsewhere. SEPTEMBER—Recession in Syracuse retail trade, but volume still above year ago. Binghamton shoe factories continue on short schedules.



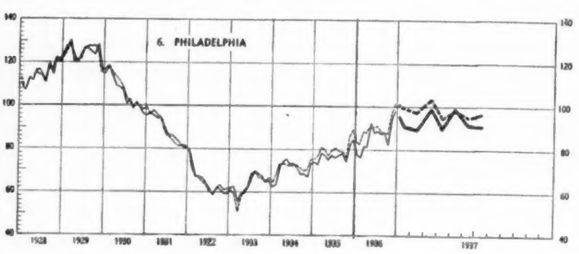
REGION 4: JULY, 89.5 JUNE, 84.9 JULY 1936, 86.8

JULY—Percentage department store sales increases over previous July: Buffalo 8, Rochester 3. AUGUST—Percentage retail trade changes from previous August: Buffalo +8, Jamestown +7, Elmira —3, Rochester +10. Buffalo wholesale trade up 5%. Crops good; farm incomes expected to be 10 to 20% over a year ago. Payrolls and production steady in Elmira; up from last year elsewhere. Buffalo employment 2% below July. Eastman Kodak in Rochester running substantially ahead. Elmira trade hampered by severe weather. Collections prompter than last year in Jamestown; steady elsewhere. SEPTEMBER—Buffalo department store sales up 4%, drug store sales 6% over year ago. Collections continue fair.



REGION 5: JULY, 90.1 JUNE, 82.4 JULY 1936, 88.5

JULY—Newark department store sales up 5% from previous July. AUGUST—Newark retail trade 5% above previous August. Wholesale trade up 6%; unit volume unchanged in many lines, but higher prices have resulted in total increases. Inventories of lightweight wearing apparel well reduced due to warm and sultry weather. Improvement in August clearing sales during last days of period. Newark payrolls, production, and collections steady. Total building permits down 37% from August, 1936. Bank clearings virtually unchanged from last year: total for Newark down 0.5%, for northern New Jersey up 0.5%. Material improvement in labor situation. SEPTEMBER—Slight upturn in Newark retail trade attributed to preparation for school openings. Drop in residential dwelling construction.

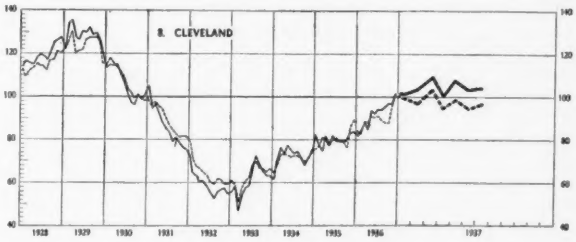


REGION 6: JULY, 91.0 JUNE, 91.4 JULY 1936, 88.7

JULY—Percentage retail trade changes from previous July: Trenton +9, Philadelphia —4, Reading +8, Scranton —4, Wilmington +11. AUGUST—Percentage retail trade changes from previous August: Trenton +6, Allentown +10, Philadelphia —3, Reading +7, Scranton +8, Wilkes-Barre 0, Harrisburg +5, Wilmington +10. Philadelphia wholesale trade up 6%. Potato yield heavy; prices low. Payrolls and production down from last year in Wilkes-Barre, Williamsport, and Johnstown; steady in Scranton and Lancaster; up elsewhere. Drop in Philadelphia textile and building-supply industries. Reduced sales and production in coal industries. Strike in Scranton silk mills. Collections steady. SEPTEMBER—Philadelphia department store sales 1 to 2% under last year; dullness in knit goods lines.

REGION 7: JULY, 97.3 JUNE, 97.9 JULY 1936, 92.5
JULY—Percentage department store sales increases over previous July: Youngstown 23, Pittsburgh 10, Wheeling 6. AUGUST—Percentage retail trade increases over previous August: Erie 5, Youngstown 5, Pittsburgh 10, Clarksburg 5, Parkersburg 5, Huntington 0, Charleston 5. Wholesale trade increases: Erie 8, Pittsburgh 0, Charleston 5. Yields and prices good; large increase in apple and peach crops. Payrolls and production above last year in Erie, Bluefield, and Charleston; steady elsewhere. Pittsburgh steel production at 80% of capacity. Restaurant strike in Clarksburg. Collections prompter than last year in Erie, Bluefield, and Charleston; slower in Huntington; steady elsewhere. SEPTEMBER—Pittsburgh steel at 83%, Youngstown steel at 65% of capacity. Container-glass demand high.

REGION 8: JULY, 104.4 JUNE, 103.6 JULY 1936, 94.1
JULY—Percentage department store sales increases over previous July: Cleveland 10, Akron 4, Toledo 11. AUGUST—Percentage retail trade increases over previous August: Cleveland 12, Akron 6, Canton 25, Toledo 15. Wholesale trade increases: Cleveland 10, Akron 9, Toledo 14. Good prices and crop yields point to largest farm income since 1929. Payrolls and production steady at Akron; above last year elsewhere. Cleveland steel at 82.5% of capacity, compared to 64% in July, and 81% last August. Toledo automotive industry up 20%. Seasonal lay-offs in Akron rubber industry. Collections prompter than last year at Toledo and Canton; steady elsewhere. SEPTEMBER—Toledo department store sales about 16% under 1936. Cleveland retail trade at high levels for the year.

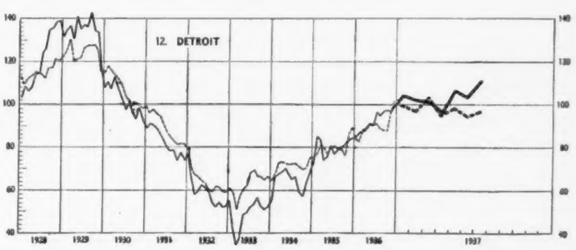


REGION 9: JULY, 107.8 JUNE, 105.3 JULY 1936, 98.1
JULY—Percentage department store sales increases over previous July: Cincinnati 13, Columbus 6. AUGUST—Percentage retail trade changes from previous August: Cincinnati +10, Lexington +16, Portsmouth —10, Dayton +15, Springfield 0, Columbus +10, Zanesville +12. Cincinnati and Columbus wholesale trade unchanged. Corn prospects about 16% above 1928-1932 average; fruit and wheat also exceptionally good. Payrolls and production above year ago in Cincinnati; down in Columbus and Portsmouth; steady elsewhere. Cincinnati steel industry continues at high rate; building more active than in July. Collections prompter than last year in Cincinnati; steady elsewhere. SEPTEMBER—Cincinnati retail sales 10% above last year. Metal-working industries active.

REGION 10: JULY, 116.9 JUNE, 107.8 JULY 1936, 101.6
JULY—Louisville department store sales up 10% over previous July. New car registrations up 34%, the second largest increase in the country. AUGUST—Percentage retail trade changes from previous August: Louisville —10, Evansville —5, Indianapolis +10, Terre Haute —10, Fort Wayne +20. Wholesale trade changes: Louisville —10, Indianapolis +5. Corn crop good; prices steady. Payrolls and production down from last year in Terre Haute; steady elsewhere. Louisville paper-box and building-supply industries 10 to 15% above year ago. Seasonal let-down in Evansville refrigerator plants. Collections somewhat slower than last year in Evansville; steady at other points. SEPTEMBER—Indianapolis trade 5 to 10% above same period of 1936; payrolls in manufacturing industries up 43%.

REGION 11: JULY, 98.3 JUNE, 97.3 JULY 1936, 93.4
JULY—Chicago department store sales up 5% over previous July. AUGUST—Percentage retail trade increases over previous August: Chicago 5, South Bend 13, Rockford 0, Peoria 0. Chicago wholesale trade up 8%. Wheat, corn, and oats crops largest in years; prices good; weather favorable. Payrolls and production steady in Peoria; above last year elsewhere. Peoria farm-implement manufacturers anticipating heavy Fall business. Value of Chicago building permits more than double last August. Hotel sales up 6% from year ago. Collections generally steady at all points. SEPTEMBER—Chicago retail trade slow, despite more favorable weather conditions; slump attributed in part to postponement of school openings. Steel output at 82.5% of capacity.

REGION 12: JULY, 115.5 JUNE, 103.6 JULY 1936, 96.2
JULY—Detroit department store sales up 13% over previous July. New car registrations 57% above last year, the largest increase in the country. AUGUST—Percentage retail trade changes from previous August: Detroit +13, Grand Rapids +14, Saginaw —5. Wholesale trade increases: Detroit 10, Grand Rapids 10. Best crop yield in years; farm prices up. Payrolls and production steady in Saginaw; above last year elsewhere. Automobile production below July levels, higher than in 1936. Occasional strikes, but labor situation quiet on the whole. Collections steady at Saginaw; prompter than last year elsewhere. SEPTEMBER—Detroit retail trade about 10% above last year. Automobile production continues to decline, although margin over last year still substantial.

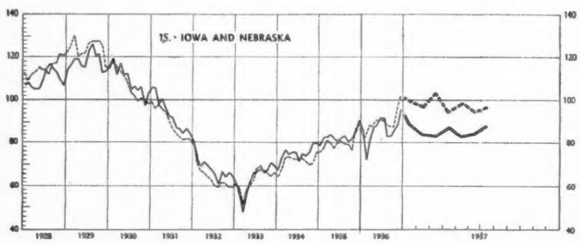


REGION 13: JULY, 99.4 JUNE, 99.7 JULY 1936, 94.8

JULY—Milwaukee department store sales 10% over previous July. AUGUST—Percentage retail trade increases over previous August: Milwaukee +5, Madison 0, Green Bay +8. Milwaukee wholesale trade up 5%. Yield considerably larger than 1936 in practically every group, although protracted period of dry weather has somewhat reduced earlier predictions; rain needed badly. Dairy industry very active. Payrolls and production steady in Green Bay; 10 to 15% above last year in Milwaukee. Collections steady in Green Bay; prompter than last year in Milwaukee. SEPTEMBER—Advance in Milwaukee trade attributed to increased vacationing and school openings.

REGION 14: JULY, 101.4 JUNE, 96.2 JULY 1936, 100.2

JULY—Department store sales in the region up 10% over previous July. AUGUST—Percentage retail trade changes from previous August: Duluth +5, Minneapolis +10, St. Paul +18, Fargo +5, Sioux Falls —4, Billings +10, Butte +5. Wholesale trade increases: Duluth 7, Minneapolis 15. Grain yields excellent; prices lower. Bumper corn crop expected. Farm income higher than for some years. Payrolls and production above 1936. Duluth shipping and iron-ore industries at full capacity. Sharp gains in Minneapolis farm-implement manufacturing. Auto salesmen strike in Twin Cities settled. Collections prompter than last year in Minneapolis and St. Paul; steady elsewhere. SEPTEMBER—St. Paul retail trade up 22% over last year. State Fair industrial orders at record high.

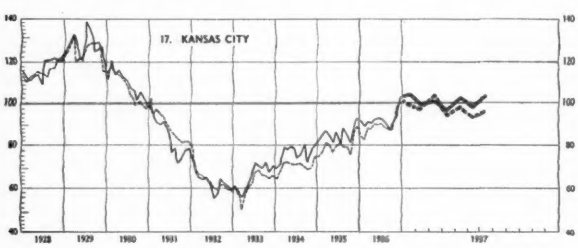


REGION 15: JULY, 88.2 JUNE, 84.7 JULY 1936, 91.5

JULY—Omaha department store sales down 4% from previous July. Drop of 4% in bank debits—the only region showing a decrease. AUGUST—Percentage retail trade changes from previous August: Burlington +10, Cedar Rapids —5, Davenport-Dubuque 0, Waterloo +10, Des Moines +1, Sioux City —7, Lincoln —5, Omaha +4. Wholesale trade changes: Sioux City —7, Omaha —2, Des Moines 0. Oat crop largest in years; prices lower. Corn crop severely damaged in western Nebraska. Payrolls and production generally steady; farm-implement plants very active; packing houses slowed up by shortage of hogs and cattle. Collections slower than last year in Dubuque and Sioux City; prompter in Omaha; steady elsewhere. SEPTEMBER—Hot weather continues to retard trade.

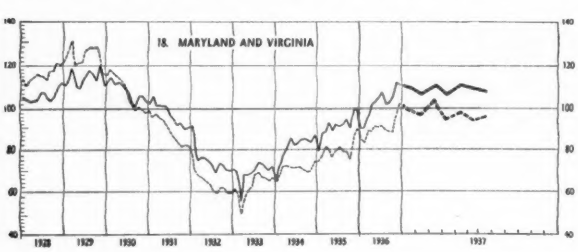
REGION 16: JULY, 99.9 JUNE, 91.9 JULY 1936, 93.6

JULY—Department store sales increases over previous July: St. Louis 10, Springfield (Mo.) 14. AUGUST—Percentage retail trade increases over previous August: St. Louis 7, Springfield (Ill.) 5, Quincy 2, Springfield (Mo.) 10. St. Louis wholesale trade up 3%. Corn and grain crops very promising. Payrolls and production above last year in Springfield (Ill.) and St. Louis; steady elsewhere. St. Louis millinery strike settled; disputes continue among dry cleaners and manufacturers of pneumatic machinery. Textile sales slow. Manufacturers of steel castings, railroad equipment, and conveyor machinery especially active. Retail collections prompter than last year; others steady. SEPTEMBER—Pick-up in St. Louis shoe orders. Lack of moisture delaying planting.



REGION 17: JULY, 102.3 JUNE, 98.9 JULY 1936, 93.4

JULY—Percentage department store sales increases over previous July: Kansas City 7, Wichita 17, Oklahoma City 10, Tulsa 8. Bank debits up 23%, the largest increase in any region. AUGUST—Percentage retail trade changes from previous August: Kansas City +10, St. Joseph —3, Topeka +5, Wichita —10, Oklahoma City +10, Tulsa +10. Wholesale trade increases: Kansas City 15, Oklahoma City 10. Feed crops above average; corn harvest expected to be best in past 5 years. Payrolls and production steady in Kansas City and Wichita; above last year elsewhere. Increased demand for oil supplies and farm equipment. Collections steady in Kansas City and Topeka; prompter than last year elsewhere. SEPTEMBER—Kansas City wholesale dry goods and wearing apparel trades 5% above last year.

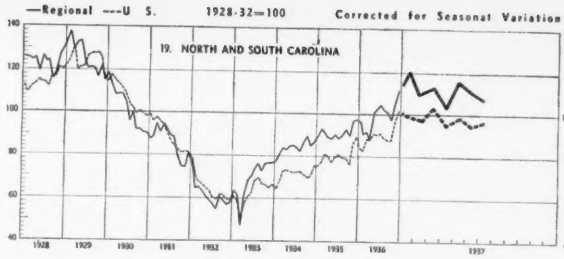


REGION 18: JULY, 106.6 JUNE, 108.0 JULY 1936, 106.3

JULY—Percentage department store sales changes from previous July: Baltimore +4, Washington —12. AUGUST—Percentage retail trade changes from previous August: Baltimore +6, Washington —4, Norfolk +3, Richmond —4, Lynchburg +12, Roanoke +5. Wholesale trade increases: Baltimore 8, Norfolk 5, Richmond 3. Yield and weather conditions favorable; tobacco prices high. Apple, peach, and pear crops above 5-year average. Payrolls and production steady in Norfolk and Lynchburg; above last year elsewhere. Slight gain in Lynchburg shoe manufactures; 10 to 15% decrease in overall production. Collections steady-to-faster. SEPTEMBER—Cotton, tobacco, and peanut crops unfavorably affected by recent rains. Baltimore department store sales 5 to 10% above last year.

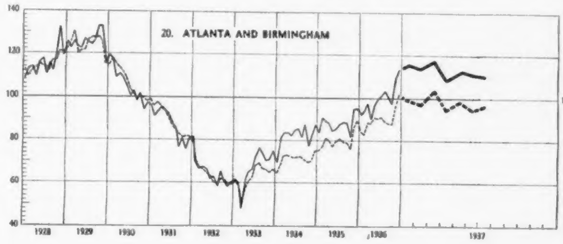
REGION 19: JULY, 107.0 JUNE, 111.7 JULY 1936, 104.2

JULY—Percentage department store sales changes from previous July: North Carolina —1, South Carolina +9. AUGUST—Percentage retail trade increases over previous August: Asheville 2, Winston-Salem 5, Charlotte 10, Raleigh 2, Charleston 10, Columbia 0, Greenville 20. Wilmington wholesale trade up 5%. Yields heavy, although recent heavy rains and boll weevil affecting cotton crop. Tobacco prices above 1936 levels. Payrolls and production above last year in Charlotte, Asheville, and Winston-Salem; down in Greenville; steady elsewhere. Textiles slightly off due to sharp break in cotton market. Collections prompter than last year in Columbia and Charlotte; steady-to-slower elsewhere. SEPTEMBER—Charleston retail trade 15% above last year; wholesale groceries up 8%.



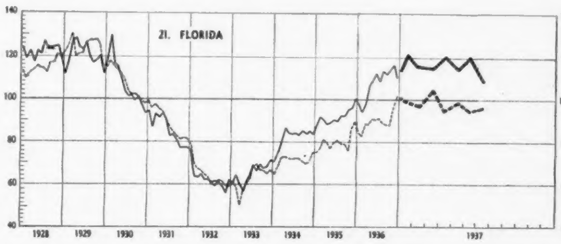
REGION 20: JULY, 110.1 JUNE, 111.3 JULY 1936, 101.1

JULY—Percentage retail trade changes from previous July: Atlanta +7, Birmingham +5, Nashville —2. AUGUST—Percentage retail trade changes from previous August: Atlanta +8, Augusta +2, Macon +5, Savannah +15, Birmingham +5, Mobile 0, Chattanooga —10, Nashville —5. Wholesale trade changes: Atlanta +5, Birmingham +3, Nashville —5. Large cotton crop, though badly damaged by excessive rains in some sections. Payrolls and production above last year in Macon, Savannah, Nashville, Birmingham, and Montgomery; steady elsewhere. Lumber and textile industries more active than in 1936. Collections prompter in Savannah; slower in Columbus, Chattanooga, and Nashville; steady elsewhere. SEPTEMBER—Birmingham steel production at 91% of capacity; retail trade slow.



REGION 21: JULY, 108.0 JUNE, 120.5 JULY 1936, 108.1

JULY—Jacksonville department store sales 6% above previous July. New car registrations down 23%, the greatest decrease noted for any region. AUGUST—Percentage retail trade increases over previous August: Jacksonville 0, Miami 5, Tampa 0. Wholesale trade increases: Jacksonville 0, Tampa 5. Dullness in retail sales attributed to heavy rains during the month. Tampa cigar production and revenue stamp sales off from last August. Value of building permits more than double year ago in Miami and Tampa; up 11% in Jacksonville. Payrolls, production, and collections generally steady; Jacksonville employment up. SEPTEMBER—Jacksonville trade fair; collections slow in some lines; bank clearings continue above 1936.

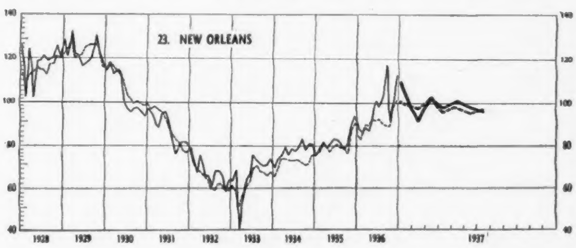


REGION 22: JULY, 92.6 JUNE, 96.2 JULY 1936, 94.1

JULY—Percentage department store sales changes from previous July: Memphis +7, Fort Smith +1, Little Rock —2. AUGUST—Percentage retail trade changes from previous August: Memphis +15, Fort Smith —5, Little Rock —10. Memphis wholesale trade up 20%; dry goods dull. Large increase in cotton crop indicated; recent rains beneficial to corn and other grain crops. Payrolls and production steady in Little Rock; better than last year elsewhere. Collections prompter in Fort Smith; steady at Memphis and Little Rock. SEPTEMBER—Declining cotton prices and warm weather adversely affecting business activity. Cotton picking slowed by unfavorable weather conditions.

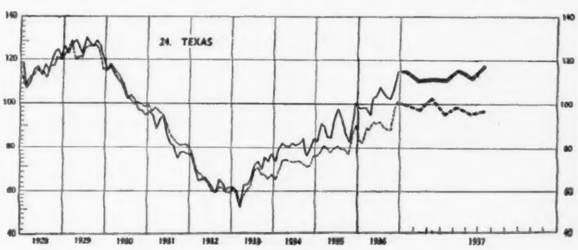
REGION 23: JULY, 95.9 JUNE, 98.4 JULY 1936, 97.7

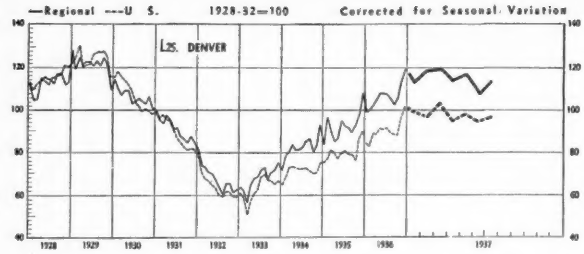
JULY—New Orleans retail trade down 4% from previous July. AUGUST—Percentage retail trade changes from previous August: New Orleans +10, Jackson —10, Meridian +5. New Orleans wholesale trade down 10%; sizable increases in oil well supplies and building material. Cotton yield well in excess of 1936; increase in farm incomes expected, although prices have broken somewhat. Payrolls and production steady in Jackson; above last year elsewhere. Activity in New Orleans oil fields affecting payrolls and sales. Collections prompter than last year in Meridian; steady elsewhere. SEPTEMBER—New Orleans department store sales 5% above year ago. Southern pine orders 9% below last year.



REGION 24: JULY, 116.8 JUNE, 112.1 JULY 1936, 108.1

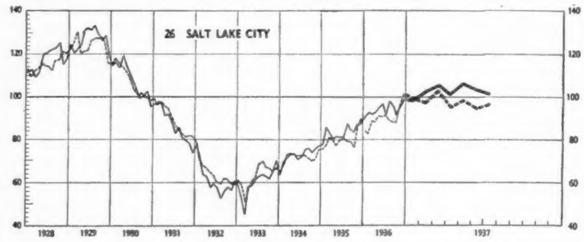
JULY—Percentage department store sales changes from previous July: Dallas —2, Houston +9, San Antonio +7. AUGUST—Percentage retail trade changes from previous August: Dallas +5, Fort Smith +11, El Paso —6, Houston +15, Galveston +10, Beaumont +5, Waco +10, San Antonio +10, Shreveport +15. Prospective cotton yield heavy, but earlier estimate lowered by heat and drought during month. Citrus season expected to be biggest in history. Payrolls and production above last year in Houston, Dallas, Beaumont; down in El Paso; steady elsewhere. Collections prompter in Houston, San Antonio, Amarillo; slower in Wichita Falls and El Paso; steady elsewhere. SEPTEMBER—Dallas retail trade 7% above last year; prices up 10%; active business in country regions. Good gains in Fall textile orders.





REGION 25: JULY, 112.7 JUNE, 107.5 JULY 1936, 107.2

JULY—Denver department store sales 2% above previous July. AUGUST—Percentage retail trade increases over previous August: Denver 9, Albuquerque 5. Denver wholesale trade up 2%. Crops good, although moisture needed in some sections. Livestock prices reaching new high. Payrolls and production steady in Denver; up in Albuquerque. Lumber mills operating close to capacity. Employment in railroad shops greater than in many years. Mechanics' strike in Denver slowing up automotive industry. Collections steady in Denver; prompter than last year in Albuquerque. SEPTEMBER—Farms and ranges benefited by recent rains. Denver retail trade up; increased rural buying.



REGION 26: JULY, 100.5 JUNE, 103.9 JULY 1936, 91.2

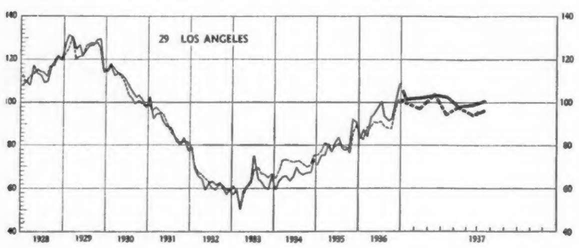
JULY—Salt Lake City department store sales 15% above previous July. AUGUST—Salt Lake City retail trade down 5%, wholesale trade down 9% from previous year. Yield of small fruits below normal. Some potato growers not harvesting due to heavy cost compared with low selling prices. Other crops good, with reasonably favorable prices. Payrolls and production generally steady; 10% increase over 1936 in smelting industry. Salt Lake City building permits up 59% from last August. Collections slower than last year. SEPTEMBER—Department store volume about even with 1936. Slight upturn in furniture sales, but total still below last year. Collections on installment accounts somewhat improved; others continue slow.

REGION 27: JULY, 97.9 JUNE, 105.1 JULY 1936, 93.4

JULY—Percentage department store sales increases over previous July: Seattle 8, Spokane 9, Portland 1. AUGUST—Percentage retail trade increases over previous August: Seattle 10, Tacoma 10, Spokane 6, Portland 11. Wholesale trade increases Seattle 10, Portland 10. Berry crop not up to last year; prices better. Production above last year in Seattle and Portland. Payrolls adversely affected by strikes in Tacoma and Seattle; up elsewhere. Salmon industry at peak. Downward trend in lumber production; strikes in Portland. Collections prompter than last year in Seattle and Portland; steady elsewhere. SEPTEMBER—Tacoma department store strike settled. Lumber orders far behind comparative period of last year.

REGION 28: JULY, 100.0 JUNE, 97.6 JULY 1936, 100.2

JULY—Percentage department store sales changes from previous July: San Francisco —1, Oakland +5. AUGUST—Percentage retail trade changes from previous August: San Francisco 0, Oakland +4, Sacramento —2, Fresno +10. San Francisco wholesale trade up 15%; sales better in rural than in metropolitan areas. Crops generally plentiful; price declines in deciduous fruits and most grains. Largest cotton acreage ever planted. Payrolls and production steady in Sacramento; above last year elsewhere. Strikes in San Francisco restaurant and building lines. Collections steady throughout. SEPTEMBER—San Francisco shipping tied up by union conflict; export trade also cut by Sino-Japanese struggle. Near-bumper fruit crop; prospects for canners good. San Francisco department store sales 8% over 1936.



REGION 29: JULY, 100.9 JUNE, 99.1 JULY 1936, 100.2

JULY—Los Angeles department store sales up 5% over previous July. AUGUST—Percentage retail trade increases over previous August: Los Angeles 12, San Diego 6. Los Angeles wholesale trade up 15%. Cotton acreage 67% larger than in 1936. Grape crop estimated 30% above last year. Fruits and melons of good quality; prices steady. Payrolls and production generally better than last year. Reduced payrolls in San Diego attributed to smaller force in aeroplane plants. Los Angeles motion picture, aircraft, and petroleum operations high; postal receipts largest for any August in history. Collections steady in San Diego; prompter than last year elsewhere. SEPTEMBER—Los Angeles retail trade steady; wholesale lines showing increases up to 25% over year ago.

REGIONAL TRADE BAROMETERS, MARCH, 1937–JULY, 1937 1928–1932 = 100 CORRECTED FOR SEASONAL VARIATION

REGION	U. S.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
March	103.2	94.5	87.0	97.0	91.8	93.2	99.5	105.8	109.4	114.3	120.5	109.6	101.3	110.5	99.1
April	94.7	85.3	83.3	92.4	85.7	87.2	89.9	99.4	100.5	103.5	111.9	98.0	97.0	106.7	103.5
May	98.6	88.9	86.1	97.1	89.2	92.6	99.5	102.4	108.0	109.9	109.7	100.9	105.8	105.7	102.8
June	95.1	85.6	83.5	93.7	84.9	82.4	91.4	97.9	103.6	105.3	107.8	97.3	103.6	99.7	96.2
July	96.2	83.7	86.8	97.2	89.5	90.1	91.0	97.3	104.4	107.8	116.9	98.3	115.5	99.4	101.4

REGION	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
March	83.2	92.7	100.5	109.6	113.0	117.5	115.0	112.8	103.0	111.0	119.6	105.6	105.5	98.7	103.1
April	87.6	94.6	97.4	105.6	103.5	108.2	120.5	98.7	97.3	110.9	113.6	101.3	99.0	99.1	103.0
May	82.8	97.2	102.0	109.9	116.0	112.7	114.9	96.7	101.4	115.3	116.8	106.9	99.3	101.7	97.9
June	84.7	91.9	98.9	108.0	111.7	111.3	120.5	96.2	98.4	112.1	107.5	103.9	105.1	97.6	99.1
July	88.2	99.9	102.3	106.6	107.0	110.1	108.0	92.6	95.9	116.8	112.7	100.5	97.9	100.0	100.9

SUMMARY OF INDUSTRIAL AND COMMERCIAL FAILURES

	Number of Failures				Liabilities of Failures *				Dun's Insolvency Index † Unadjusted				Dun's Insolvency Index † Adjusted ‡			
	1937	1936	1935	1934	1937	1936	1935	1934	1937	1936	1935	1934	1937	1936	1935	1934
January ...	811	1,077	1,146	1,317	8,661	18,104	14,603	29,035	46.0	63.0	66.7	77.0	37.4	51.2	53.8	61.6
February ..	721	856	956	1,017	9,771	14,089	15,217	16,772	48.4	56.6	66.0	70.3	42.1	48.8	55.9	59.1
March	820	946	940	1,069	10,922	16,271	15,361	24,002	44.9	53.3	55.0	60.4	44.9	53.3	55.0	60.4
April	786	830	1,083	1,020	8,906	14,157	16,529	22,871	46.4	50.4	63.5	62.4	45.5	49.4	62.3	61.8
May	834	832	1,004	942	8,364	15,375	14,339	20,787	45.4	46.4	58.8	55.4	45.4	46.4	58.8	56.0
June	670	773	944	992	8,191	9,177	12,918	20,591	39.3	44.6	57.5	58.4	41.4	46.9	60.5	61.5
July	618	639	902	870	7,766	9,904	16,523	16,555	36.0	38.3	52.8	53.2	40.0	42.6	58.7	59.1
August ...	707	655	884	872	11,916	8,271	13,266	15,703	38.1	36.2	49.8	49.2	44.8	42.6	57.9	56.6
September .	...	586	787	771	....	9,819	17,002	15,552	...	33.4	50.0	48.8	...	39.8	59.5	58.1
October ...	...	611	1,056	1,039	....	8,266	17,185	16,973	...	36.2	61.8	60.7	...	39.3	67.2	66.0
November .	...	688	898	882	....	11,532	14,384	14,376	...	44.3	59.4	58.1	...	43.4	58.2	57.5
December .	...	692	910	933	....	12,288	15,686	16,981	...	42.6	55.3	56.6	...	42.6	54.8	55.5
Total	...	9,185	11,510	11,724	....	147,253	183,013	230,198	43.1	45.4	58.1	59.2	42.7	45.5	58.6	59.4

* In thousands of dollars. † Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING THE RECORD OF INDUSTRIAL *and* COMMERCIAL FAILURES

AUGUST FAILURES ON THE INCREASE

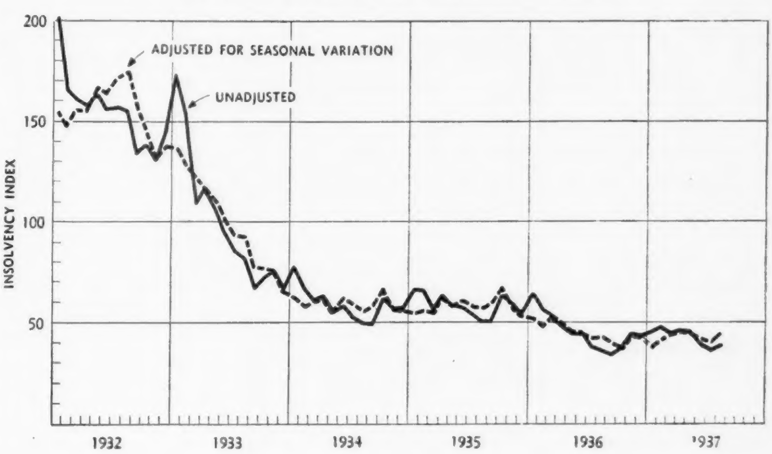
BOTH the number of failures and the amount of liabilities took an upward turn in August. Numbers rose from 618 in July to 707, or 15 per cent, and liabilities rose from $7,766,000 to $11,916,000, or 53 per cent. In August, 1936, the total was 655. This was a movement quite contrary to the customary trend in August, when failures are usually sliding down toward their lowest point of the year in September. The upward swing, however, was very general, appearing in all sections of the country, and in every major industry group and size group.

The insolvency index, which makes an allowance for the number of working days in the month and for the number of firms in business, rose from 36.0 in July to 38.1 in August, compared with 36.2 in August a year ago. For the first time this year the index thus stands higher than in the corresponding month of last year. This fact might serve to strengthen a belief that failures reached their lowest point last year, but single months cannot be taken as clear indications of failure trends.

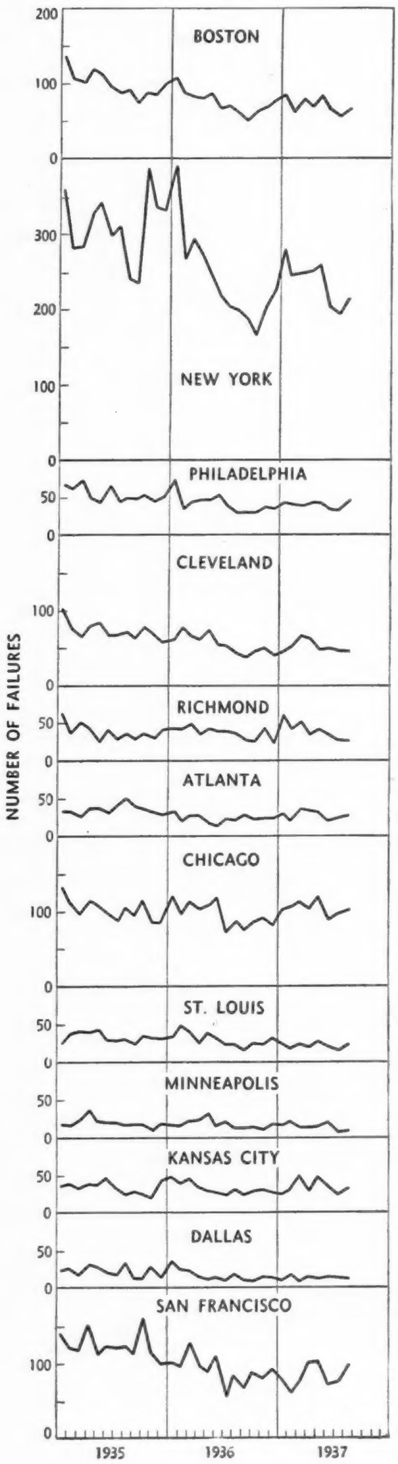
An adjustment of the insolvency index for seasonal variation is presented this month for the first time. A detailed explanation of the method of adjustment and the complete series of figures back to 1887 is to be published as soon as space permits. Since the usual course of August failures is downward, the adjusted index for August shows a more pronounced rise than the unadjusted.

The amount of liabilities was greatly increased by the bankruptcy of a large coal distributing company in Pennsylvania and six of its largest operating subsidiaries. The parent company was reorganized in 1935 under Section 77-B,

MONTHLY TREND OF THE INSOLVENCY INDEX



Failures in Federal Reserve Districts



Failures by Divisions of Industry—August, 1937 and 1936

(Liabilities in thousands of dollars)

	Number			Liabilities		
	Aug. 1937	July 1937	Aug. 1936	Aug. 1937	July 1937	Aug. 1936
Manufacturing						
Foods	31	33	30	743	577	340
Textiles	30	36	18	548	1,163	253
Forest Products	11	10	6	146	152	209
Paper, Printing and Publishing	21	12	10	257	184	176
Chemicals and Drugs	5	4	6	103	13	225
Fuels	8	1	1	2,675	27	35
Leather and Leather Products	9	3	2	245	53	33
Stone, Clay, Glass and Products	2	4	2	29	210	12
Iron and Steel	5	5	6	54	31	112
Machinery	10	6	7	348	67	205
Transportation Equipment	6	4	3	237	74	101
All Other	10	13	13	218	437	151
Total Manufacturing	148	131	104	5,603	2,988	1,852
Per cent of month's total	*21.0*	*21.3*	*15.9*	*47.0*	*38.5*	*22.4*
Wholesale Trade						
Farm Products, Foods, Groceries	32	25	29	582	318	581
Clothing and Furnishings	5	3	5	23	30	65
Dry Goods and Textiles	4	2	1	146	52	3
Lumber, Building Materials, Hardware	6	4	11	58	94	227
Chemicals and Drugs	1	6	3	3	63	34
Fuels	4	2	1	1,033	11	75
Automotive Products	3	3	4	105	222	67
Supply Houses	3	2	3	18	16	8
All Other	19	5	13	378	237	104
Total Wholesale Trade	77	52	70	2,346	1,043	1,164
Per cent of month's total	*10.9*	*8.4*	*10.7*	*19.7*	*13.4*	*14.1*
Retail Trade						
Foods	124	140	129	811	800	1,014
Farm Supplies, General Stores	17	11	16	86	74	147
General Merchandise	18	14	18	126	102	108
Apparel	57	51	63	376	271	442
Furniture, Household Furnishings	20	17	16	154	231	311
Lumber, Building Materials, Hardware	32	24	23	264	134	129
Automotive Products	31	35	39	376	433	231
Restaurants	51	25	34	327	213	277
Drugs	25	29	36	163	305	268
All Other	28	33	34	213	298	328
Total Retail Trade	403	379	408	2,896	2,861	3,255
Per cent of month's total	*57.0*	*61.3*	*62.3*	*24.3*	*36.8*	*39.3*
Construction						
General Contractors	7	4	9	97	48	163
Carpenters and Builders	12	10	8	247	180	733
Building Sub-contractors	28	16	18	185	219	481
Other Contractors	2	1	1	105	26	121
Total Construction	49	31	36	634	473	1,498
Per cent of month's total	*6.9*	*5.0*	*5.5*	*5.3*	*6.1*	*18.1*
Commercial Service						
Cleaners and Dyers, Tailors	5	9	14	30	34	102
Haulage, Buses, Taxis, etc	8	8	8	170	218	154
Hotels	3	2	3	123	110	108
Laundries	2	..	2	7	..	20
Undertakers	2	1	4	31	4	24
All Other	10	5	6	76	35	94
Total Commercial Service	30	25	37	437	401	502
Per cent of month's total	*4.2*	*4.0*	*5.6*	*3.7*	*5.2*	*6.1*
Total United States	707	618	655	11,916	7,766	8,271

but due to unsettled conditions in the coal industry, keen competition, and curtailment of credit it has not been able to meet obligations set up as part of the reorganization settlement. In addition to this group, there were eight other large failures, compared with nine last month and eight a year ago.

The August increase occurred not only in all major industry groups but almost universally over the respective fields. Some specific lines of activity suffered more than others, as, for instance, the printing and publishing business, wholesale groceries and produce, and restaurants, but even in lines where no increase occurred the usual seasonal decline failed to take place.

The present level above that of a year ago is maintained principally by increased numbers of failures among manufacturers, supplemented by increases among wholesalers and those in construction lines, as the following table shows:

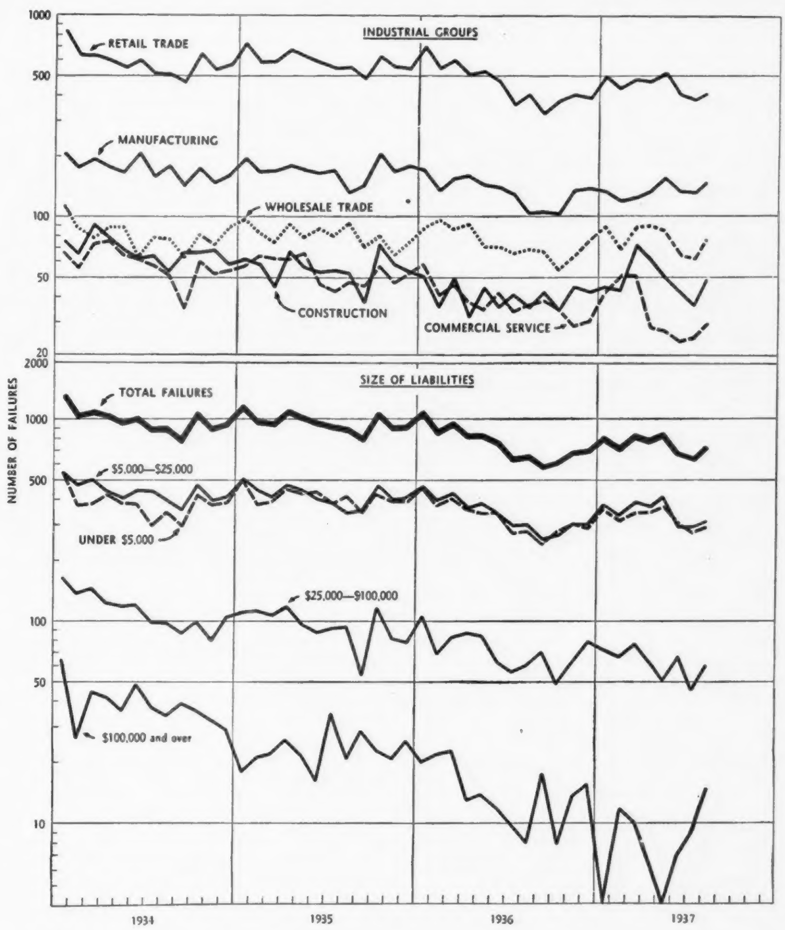
	August 1937	August 1936	Per Cent Change
Manufacturing	148	104	+42
Wholesale Trade	77	70	+10
Retail Trade	403	408	— 1
Construction	49	36	+46
Commercial Service	30	37	—19
Total	707	655	+ 8

The additional August failures in each major industry group were drawn from companies of all sizes. Only among the very small manufacturers was there a decrease from last month. It rarely happens that failures move upward or downward so uniformly by size. Compared with a year ago all size groups show increases.

Liabilities	August 1937	August 1936	Per Cent Change
Under $5,000	297	283	+ 5
$5,000–$25,000	332	303	+10
$25,000–$100,000	63	61	+ 3
$100,000 and over	15	8	+88
Total	707	655	+ 8

By geographical distribution also, the increase was general. The three Federal Reserve Districts that did not report increases—Cleveland, Dallas, and Richmond—remained unchanged and failed to show the seasonal decline. The steadiest part of the country was around Ohio, Indiana, and Illinois. The rate of increase was equal in the large cities and in the balance of the country.

FAILURES BY INDUSTRIAL GROUPS AND SIZE OF LIABILITIES



Federal Reserve District	Jan.-Aug. 1937	Jan.-Aug. 1936	Per Cent Change
St. Louis	183	272	—33
Dallas	114	169	—33
Minneapolis	121	168	—28
Cleveland	419	493	—15
San Francisco	671	767	—13
Boston	560	644	—13
Philadelphia	325	367	—12
New York	1,896	2,089	— 9
Kansas City	279	286	— 3
Richmond	326	336	— 3
Chicago	840	825	+ 2
Atlanta	233	192	+21
Total	5,967	6,608	—10

Canadian Failures

Canadian failures also increased in number and in amount of liabilities during August. Numbers rose from 56 in July to 67, but were still well below previous months. Liabilities rose from $516,000 to $687,000. The increase in numbers was confined almost entirely to the eastern Provinces of Quebec and Ontario. All industry groups except wholesale trade shared in the increase. For the first time since October, 1936, Canadian failures included a company with liabilities in excess of $100,000, a planing mill in the Province of Manitoba started in 1900.

NOTE: In DUN'S STATISTICAL REVIEW there are published more detailed failures statistics by States, large cities, industrial divisions, and size of liablities.

77-B CASES—CORPORATE REORGANIZATIONS

These cases should be considered in connection with failures to give a complete picture of companies whose financial difficulties have led them to the courts.

CONTRARY to the movement of regular failures, applications for reorganization under Section 77-B of the Bankruptcy Act declined in August from 53 to 45. On a weekly basis they were slightly off from the level maintained during the last four months, but were still above those a year ago.

The decline was all within the commercial and industrial field, as applications of real estate and financial companies remained practically unchanged. With the continued operation of this amendment the latter type of concern bulks larger and larger among 77-B cases. From January to date they have comprised a third of all applications; during the same months last year they made up only 19 per cent of the whole.

77-B Applications by Main Divisions of Industry—August, 1937 and 1936

	Aug. 1937	July 1937	Aug. 1936
Manufacturing	14	10	12
Wholesale Trade	3	3	3
Retail Trade	4	13	2
Construction	..	1	..
Commercial Service	4	5	4
Others (*)	20	21	12
Total United States	45	53	33

(*) Not included in tabulation of commercial failures, such as real estate and investment companies.

The distribution of the August commercial and industrial cases shows manufacturing concerns again taking their place as leaders in the use of this legal provision for reorganization. Among them were two liquor establishments, one food company, one textile concern, two knitting mills, two furniture companies, and other scattered businesses. About half of all commercial service companies so far this year have been trucking companies. This month there were three.

The following table gives a cross-section of these twenty-five cases, showing their age and size.

Date Established	Capitalization: Under $25,000	$25,000-$100,000	$100,000 and over
1935-1937	6	1	..
1930-1934	4	3	..
1925-1929	2	3	..
1920-1924	..	1	..
1900-1919	..	3	1
Before 1900	..	..	1
Total	12	11	2

Half of the cases were small, recently established companies. They included all of the retail cases, six of the manufacturing cases, one wholesale supply house, and one of the trucking concerns. Of the eleven middle-sized companies seven owe trade accounts only, two have both unpaid trade accounts and overdue mortgage payments, and two are in default on mortgages only. One petition was filed to forestall foreclosure of real estate, another to effect a rent reduction. Another company reports good business, but heavy payments are due on equipment contracts.

The two largest and oldest companies are in the textile field and both have liabilities running between $600,000 and $800,000. One, a knitting mill, has heavy indebtedness to its factor who stands ready, however, to advance additional funds to aid in obtaining an extension from other creditors. The other case adds to the growing list of old Southern textile companies which in the past grew to substantial size, but in the face of recent difficulties in the industry have been turned over to the control of their New York factors.

77-B Applications by Months

Number

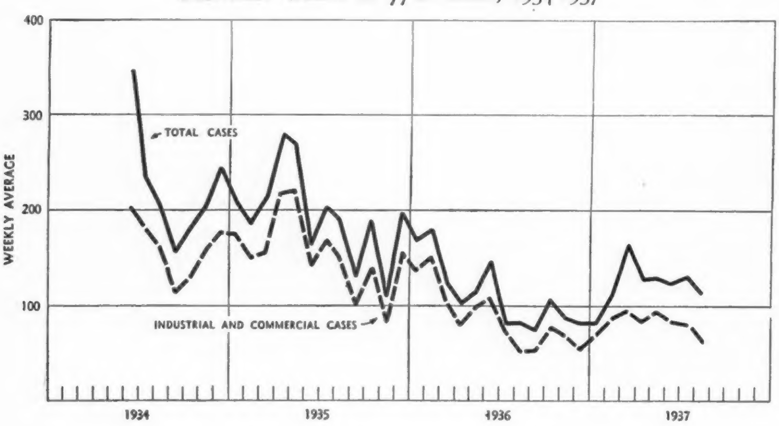
	1937	1936	1935	1934
January	33	84*	104*	...
February	45	72	74	...
March	82*	50	86	...
April	51	51*	112	...
May	52	46	135*	...
June	62*	59	65	104
July	53	41*	82	94
August	45	33	95*	102*
September	..	30	52	62
October	..	54*	95*	73
November	..	35	44	101*
December	..	41*	79	98
Total	..	596	1,023	634**

* Five-week month. ** Twenty-nine weeks.

Weekly Average

	1937	1936	1935	1934
January	8.2	16.8	20.8	....
February	11.2	18.0	18.5	....
March	16.4	12.5	21.5	....
April	12.8	10.2	28.0	....
May	13.0	11.5	27.0	....
June	12.4	14.8	16.3	34.7
July	13.2	8.2	20.5	23.5
August	11.2	8.3	19.0	20.4
September	...	7.5	13.0	15.5
October	...	10.8	19.0	18.3
November	...	8.8	11.0	20.2
December	...	8.2	19.8	24.5
Total	...	11.2	19.7	21.9

Monthly Trend of 77-B Cases, 1934-1937



SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "Dun's Statistical Review"

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1937	1936	1935	1937	1936	1935
January	27,226	25,262	23,519	1,089.0	971.6	904.6
February	23,718	22,065	19,108	1,078.1	959.3	868.5
March	29,412	26,610	24,354	1,089.3	1,023.4	936.7
April	26,086	24,711	22,809	1,003.3	950.4	877.3
May	23,951	22,473	22,908	958.0	898.9	881.1
June	25,903	26,148	22,392	996.3	1,005.7	895.7
July	26,015	24,766	24,100	1,000.6	952.5	926.9
August	22,260	21,269	22,313	856.2	818.0	826.4
September	......	23,927	20,986	......	957.1	874.4
October	......	25,852	24,076	......	994.3	926.0
November	......	24,554	22,241	......	1,116.1	967.0
December	......	31,153	24,089	......	1,198.2	963.6
Total	......	298,790	272,895	......	987.1	904.0

Building Permit Values—215 Cities

By Geographical Groups

Groups:	August 1937	August 1936	Change P. Ct.	July 1937	Change P. Ct.
New England	$5,444,125	$5,021,489	+ 8.4	$6,860,707	— 20.6
Middle Atlantic	21,983,356	21,883,934	+ 0.5	25,092,043	— 12.4
South Atlantic	11,139,781	9,562,930	+ 16.5	10,047,568	+ 10.9
East Central	21,816,765	16,222,253	+ 34.5	21,035,388	+ 3.7
South Central	8,251,303	8,522,756	— 3.2	6,769,693	+ 21.9
West Central	3,881,593	4,387,442	— 11.5	5,124,211	— 24.3
Mountain	1,621,490	3,476,508	— 53.4	1,678,123	— 3.4
Pacific	13,406,649	14,032,441	— 4.5	14,703,590	— 8.8
Total U. S.	$87,545,062	$83,109,753	+ 5.3	$91,311,323	— 4.1
New York City	$13,167,997	$12,095,174	+ 8.9	$16,426,736	— 19.8
Outside N. Y. C.	$74,377,065	$71,014,579	+ 4.7	$74,884,587	— 0.7

World Visible Wheat Supplies

(Thousands of bushels)

1937	U. S. East of Rockies	U. S. Pacific Coast	Canada	Total U. S. and Canada both Coasts	U. K.* and Afloat	Conti-nent*	Total America and Europe
July 3	19,579	2,216	43,010	64,805	44,500	5,700	115,005
July 10	31,326	2,009	40,603	73,938	42,200	5,700	121,838
July 17	53,363	1,728	37,979	93,070	38,400	5,800	137,270
July 24	74,410	1,539	35,197	111,146	36,500	5,300	152,946
July 31	93,264	1,746	33,286	128,296	35,300	4,600	168,196
Aug. 7	107,731	2,288	30,023	140,042	33,700	4,500	178,242
Aug. 14	116,440	2,453	29,228	148,121	33,500	4,200	185,821
Aug. 21	123,178	2,759	30,769	156,706	32,700	3,700	193,106
Aug. 28	129,732	3,590	38,379	171,701	32,300	3,500	207,501
Sept. 4	134,810	3,869	49,764	188,443	31,200	3,400	223,043
Sept. 11	136,535	4,737	57,144	198,416	30,500	3,600	232,516
Sept. 18	137,489	6,574	67,452	211,515	30,000	3,300	244,815

* Reported by Broomhall.

Dun & Bradstreet Wholesale Commodity Price Index

Groups:	Sept. 1, 1937	Aug. 1, 1937
Breadstuffs	$0.1217	$0.1283
Livestock	.4194	.4312
Provisions	3.0074	2.9945
Fruits	.2425	.2363
Hides and Leather	1.2288	1.2225
Textiles	2.7416	2.9239
Metals	.9391	.9341
Coal and Coke	.0122	.0120
Oils	.6232	.6459
Naval Stores	.1147	.1156
Building Materials	.1252	.1249
Chemicals and Drugs	.8453	.8503
Miscellaneous	.5368	.5733
Total All	$10.9579	$11.1928

(First of Month)	1937	1936
January	$11.1360	$10.3641
February	11.2320	10.0204
March	11.3494	9.9196
April	11.8150	9.8541
May	11.5159	9.8191
June	11.3374	9.7374
July	11.2734	9.8538
August	11.1928	10.1445
September	10.9579	10.1907
October	......	10.2716
November	......	10.2214
December	......	10.7895
Monthly Average	$11.3122	$10.0989

Dun's Index Number of Wholesale Commodity Prices

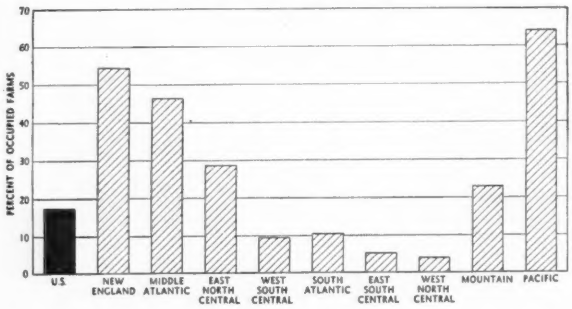
Groups:	Sept. 1, 1937	Aug. 1, 1937
Breadstuffs	$29.861	$31.262
Meat	26.844	25.594
Dairy and Garden	18.542	18.750
Other Food	18.539	18.654
Clothing	34.063	34.538
Metals	26.238	26.210
Miscellaneous	38.691	38.932
Total All	$192.778	$193.940

(First of Month)	1937	1936
January	$206.544	$178.063
February	203.206	179.045
March	205.177	179.601
April	205.550	173.649
May	204.981	173.485
June	201.516	172.136
July	202.413	178.240
August	193.940	181.878
September	192.778	182.498
October	......	183.153
November	......	184.397
December	......	192.959
Monthly Average	$201.789	$179.925

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Farm Electrification



Farms Having Electric Service—Edison Electric Institute—*Electric service reaches only 17.5 per cent of the farms in the United States. The highest percentage of electrification occurs in the Pacific States, the smallest in the South Central.*

AT THE END of June, 1937, there were 6,502,280 occupied farms in the United States, but no more than 1,138,335 possessed electric service. A survey by the Edison Electric Institute reveals that over 5,000,000 of the farms were not yet within reasonable connecting distance of power company distribution lines. Of those accessible to service, 20 per cent were not connected, so that electrification extended only to 17.5 per cent of the country's farms.

The chart shows the marked variation in degree of electrification according to the region. The Northeastern and Pacific Coast States are far in the lead, with more than 50 per cent of farms electrified, while the South Central States fall considerably below the United States average, with only 5 per cent receiving service.

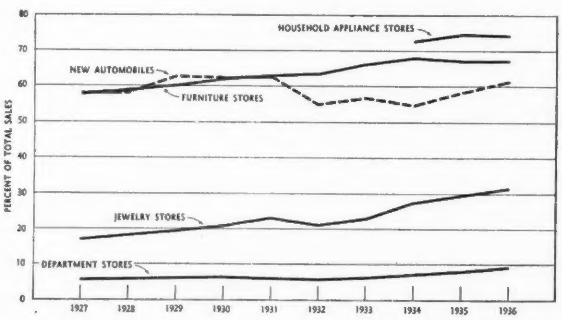
The survey found that, particularly in those areas where a relatively small degree of electrification exists, these percentages have a definite relation to the number of "low income farms." When farm dwellings valued at less than $500 are excluded, there is a general increase in the per cent of farms receiving electric service, the largest jump occurring in the South Central States, where percentages more than double.

Installment Sales

Data on installment selling are important to the business man because they give a good indication of the extent to which purchasing power has already been tied up. Full installment statistics might predict rather accurately the depth of our next depression. Yet authentic figures remain isolated, and generally inadequate for any full survey of the subject. The most extensive credit survey is conducted by the Department of Commerce, but even this has a comparatively small sample, varying in size from year to year.

Although the ratios shown on the chart indicate a definite upward trend in installment buying, the amount of increase does not appear so startling as the very liberal credit terms of the depression era might have indicated. The data fail, however, to show the movement of the total sales figure: they merely indicate the relation of installment to the total sales, and this fact may partly account for the relatively small fluctuation over the period.

An index of volume might give a clearer picture of the variation in installment credit outstanding. The Association's figures on car financing, for example, show the sharp decline occurring in the early part of the depression and the steady increase in volume since then. Retail paper on new cars dropped from $1,126,000,000 in 1929 to $303,000,000 in 1932, and climbed back to $1,106,000,000 by 1935. General retail installment sales in 1935 were $3,600,000,000,

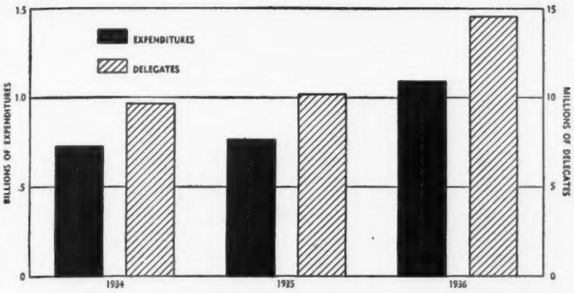


Ratio of Installment to Total Sales—1927-1936—*Ratios for stores were compiled by the National Association of Sales Finance Companies from the retail credit surveys of the U. S. Department of Commerce. The automobile figures are the Association's own, collected by its members.*

or 11 per cent of the total retail volume. The Bureau of Foreign and Domestic Commerce estimates that in 1936 they increased 25 per cent over the previous year. This may bring the ratio of installment to total sales close to the 1929 average of 13 per cent, yet the volume of credit outstanding does not approach the 1929 figure because total retail trade remains below the level of 1929.

Conventions

In 1936, conventions entered the billion-dollar business class. In that one year alone, *World Convention Dates* estimates that 14,602,790 people went to 17,695 conventions in the United States and Canada, and spent $1,095,209,250. These figures indicate a 50 per cent increase in both attendance and expenditures during the last three years.



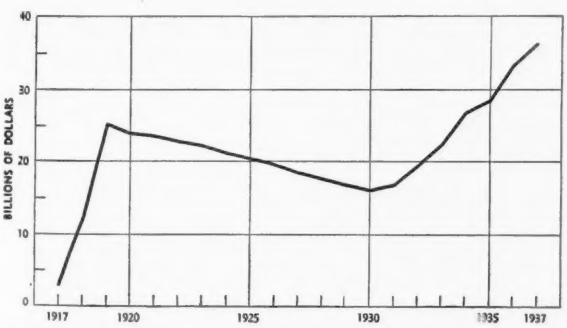
Convention Attendance and Expenditures—1934-1936—World Convention Dates—*Conventions attracted 5,000,000 more delegates in 1936 than in 1934. Expenditures increased $366,000,000 over the same period, approximately one-third of all expenditures going to hotels.*

Conventions with a small number of delegates are in the lead—more than half of them, in fact, attract less than 300 delegates. Although large conventions represent only a small portion of the total held, they usually account for approximately half of the total attendance. In 1936, only 6 per cent of the conventions listed had over 2,000 delegates, yet these accounted for over 60 per cent of all attendance at conventions during the year.

Federal Debt

It took eleven years to decrease the public debt $9,000,000,000; only seven years to increase it $20,000,000,000. After 1919, annual Government surplus and an increasing sinking fund accounted for a gradual drop in the curve, until it reached $16,185,000,000 in 1930, the lowest point since 1918.

The following year witnessed a marked reversal. Economic distress brought not only a sharp increase in Government expenditures, but also a destruction of most of the income sources which had created the former excess of receipts over expenses in the Federal budget. The falling off in postal, tax, and custom revenues, combined with the moratorium on foreign debt payments, resulted in a large deficit, which in turn had its effect on the debt curve.



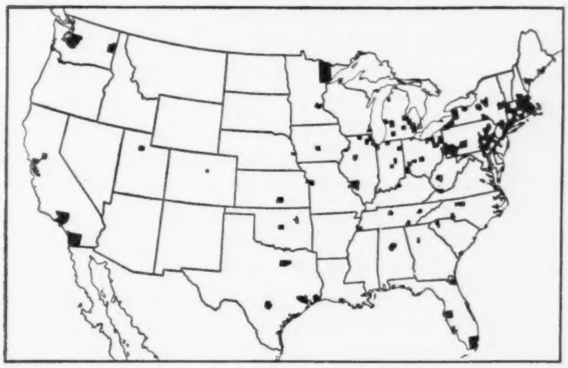
Gross Public Debt of the United States—1917-1937—*Treasury Department—From 1930-1937 the gross public debt increased $20,000,000,000, or more than doubled; this compares with the jump of $22,000,000,000—an eight-fold increase—in the two years of the War period.*

At the end of the fiscal year 1937, the United States debt totalled $36,425,000,000. This compares with $25,482,000,000 in 1919, the high of the war period. The gross figure for 1937 is 43 per cent higher, yet when the increase in population is taken into account, the difference is less marked, amounting only to 17 per cent. The per capita Federal debt for 1937 stands at approximately $281.70, in comparison with $240.10 in 1919, and $131.40 in 1930.

Payrolls

The census of business: 1935 found that 25 per cent of the total payroll of the country was concentrated in six counties; another 50 per cent in 150 counties. The last 25 per cent was divided among more than 3,000 counties.

The six counties which headed the list in earnings represented 11 per cent of the population according to the 1930 census. New York County, which was first in rank, had only 1.5 per cent of the population, but took in almost $2,000,000,000, or 9 per cent of the United States payrolls. Next in order of payroll importance were Cook, Ill., Wayne, Mich., Philadelphia, Pa., Los Angeles, Cal., and Cuyahoga, Ohio. Together these six counties represented $5,000,000,000 of the $20,000,000,000 which made up the payrolls for the country in 1935.



Payroll in Industry and Business—Census of Business: 1935—*156 counties, or approximately 5 per cent of the total number, accounted for 75 per cent of the nation's payroll in 1935.*

The Census contains a full summary of county payrolls, according to amount, and percentage of State and national totals. The introduction points out, however, that the material is limited in use as an index of purchasing power by counties, because of the omission of certain important data. Compensation of farm personnel, and payrolls from such phases of business as domestic service, institutions, public utilities, etc., are among those items which the Census has been forced to exclude because of lack of information. Income from privately invested capital, another essential component of an index of purchasing power, is also disregarded in this survey.

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

OVER THE DESK of Charles Hecht, New York certified public accountant, hangs a chart found in an old distillery in 1885, a chart which plots the path of business activity from 1810 to the year 2000, through hard times, booms, and panics.

To be good, whiskey must be aged, and aging requires that present production always be gaged by the best guess of business conditions in the future. So what with this special need of the whiskey distilling business and the fact that foretelling the swings of the business cycle enjoyed a great vogue in the latter years of the ninteenth century, it is not especially noteworthy that such a chart should come to light where and when it did.

What is noteworthy is that although inaccurate in minor respects the chart nonetheless appears to have known in advance that a disturbance of great proportions would accelerate business activity between 1911 and 1918. Equally surprising is that almost fifty years before the most abrupt decline in recent years the chart's author foretold 1928 as its beginning and 1932 as its nadir.

In the accompanying table the reader may discern that the next period of retrenchment will begin some time next year. Because of the prevailing M pattern, however, we shall all begin to feel better again in 1944, and for four years we shall be very grateful to our new President. But then in 1948 there will be elected to the White House another individual who is foredestined to be miserable. At most he will have only one friend who will understand his plight. And that gentleman probably will be 3,000 miles away, in Palo Alto, Cal.

TWELVE NUMBERS—*Developed by the Automatic Electric Company, Chicago, the "Autodial" calls any one of twelve numbers marked by the pointer.*

Omen—Cool breezes refreshed the air in Parliament Hall, Cairo, while His Majesty Farouk I was being invested as King of Egypt one hot day last Summer. Superstitious subjects may have considered the breezes fortuitous and a favorable portent.

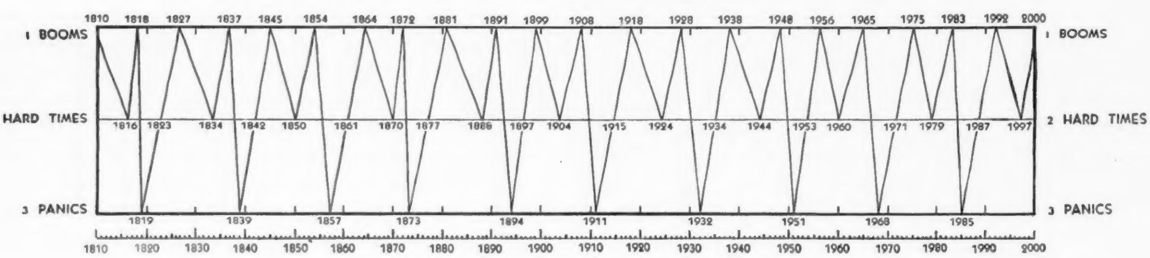
But two persons at least knew that they had not come by chance. One was the foresighted, youthful monarch of the Valley of the Nile. The other was Peter Gray, of Newark, N. J. Gray is an engineer who only the day before had completed the installation of Carrier air-conditioning equipment, just in time for the colorful ceremony.

Protests—Radio advertisers have learned that listeners like best those programs in which they are allowed to take part—vote for the best amateur performance or to help in naming the sponsor's new eyewash. Similarly, of all the exhibits in the New York Museum of Science and Industry, most popular is a telephone which records a visitor's voice and sends it back to him.

Most are bashful, a few are confident, as they speak their impromptu message. But all are delighted when their voices come back, to be accepted with the invariable chuckle and the protest that "It doesn't sound a bit like me." Most pleased of all, thus far, is a Frenchman, whose conversation was embellished with much waving of hand and curling of fingers. The voice did not sound like his, he said excitedly, but he never seemed to notice that the gesticulations did not come back at all.

Radiators—By the year 2000 A.D. the Sixth Avenue Association of New York hopes that its well-known thoroughfare will have been transformed into a paradise of glass buildings, landscaped terraces, and uniform temperatures. Such a paradise it could be if the present potentialities of physics and

A CHART FOUND MORE THAN FIFTY YEARS AGO—1885



construction were utilized. If the vision is realized it will be in good part *because* of radiators, however, and not *despite the lack* of them, as the August Dun's Review implied in its story of the recent exhibition at the American Radiator Building.

Receivers which will absorb radiated heat in the Summer will serve as radiators and broadcast heat in Winter, but they will not store Summer heat for this purpose. So effectively will temperatures be controlled, even in the largest of auditoriums, that no seemingly-isolated areas will be chilly. Admirable foresight has provided, for example, for spectators who sit in the middle of a crowded theater and who might conceivably be inadequately warmed by radiators at the theater's four sides. For them a special construction of the seats provides a reflecting surface to direct the rays sent out from the heat-broadcasters of the theater to the occupant of each seat.

There—Over a period of years countless advertisements have displayed pictures of symphony concerts, prize fights, inaugurations, and other dramatic spectacles with "You're there with a Crosley!" written boldly across a corner. Readers subconsciously call to mind the picture's counterpart—an army of carefree listeners, some sitting contentedly at home in their armchairs, others speeding along highways in gay roadsters.

But for a group of employees in the Sutcliffe Photographic Studios in Cleveland, being there with a Crosley means being at the bench from nine to five, every day of the week. No one can say that they didn't bring it upon themselves, however. It was one of their number who proposed that a radio be installed.

"All right," skeptical Mr. Sutcliffe had said eight years ago, "but if it interferes with work I'll simply have one more radio at home." The radio has not gone home in eight years. Not only that, it appeared to stimulate and increase production, and there are now four of them, one in each department.

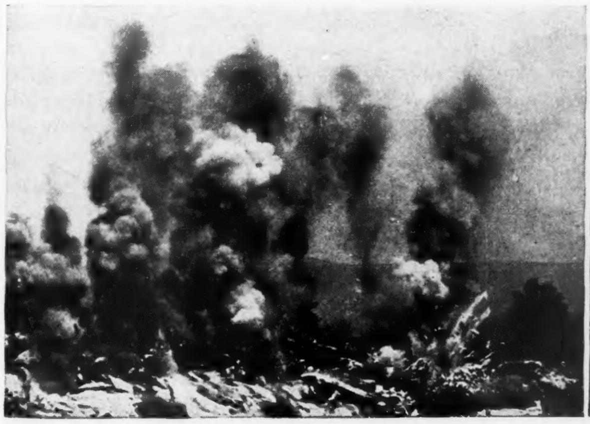
Explosives—Estimates calculated for the Institute of Makers of Explosives by W. W. Adams, statistician of the Department of the Interior, Bureau of Mines, present a simple method for computing recent gains in mine and quarry production tonnages.

Six ounces of industrial explosives will blast out one ton of iron, and five ounces will yield one ton of coal or quarry one ton of stone—silica, phosphate rock, lime, gypsum, asphalt, etc. Explosives used in the United States to mine iron weighed 6,443 tons in 1935, 10,254 in 1936; to mine coal, 61,115 tons in 1935, 71,000 in 1936; to quarry stone, 18,194 tons in 1935, 25,950 in 1936.

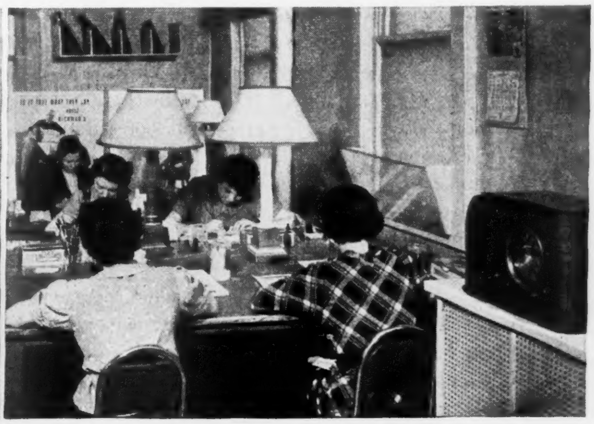
Now, what were the amounts of iron, coal, and stone produced in 1935 and 1936? Paper and pencil not allowed.

Patent—If you sell any product for which the sales presentation can be enhanced by three-dimensional views, sooner or later you will run into the patent held by Van Dyke Hill, president of the American Stereograph Corporation. Something which everyone should have thought of before this, the Stereograph saleskit is a simple looseleaf notebook whose pages hold the requisite two pictures of each view. Out of a neat compartment on the inside of the back cover unfolds a stereoscope, which then is free to slide up and down over the entire length of the book.

Farrar & Rinehart, publishers, have already made three children's books with unwinding stereoscopes concealed in their covers and plan three more. Other educational possibilities soon come to mind, in medicine especially. Patients object to having their innards displayed on a table very long. With three-dimensional pictures at hand a medical student can ponder over a rare or difficult operation at his leisure.



Dynamite—*Known to man for more than a thousand years, once used for war but now supplanted by new chemicals, black blasting powder's great use is in mining. Blasts last year required 80,000,000 pounds.*



Three Others—*Come what may, employees in the Sutcliffe Photographic Studios, Cleveland, remain tuned in on the day's programs with Crosley radios. In nearby rooms three other Crosleys are in operation.*

MINICAMS AND MINIFANS

(Continued from page 20)

as has never before been known should indicate that the minicam is here to stay—or rather, that it is where it is, only until it rolls on to still greater popularity. Those who believe so cite the history of the radio.

"At first it was a rich man's luxury, but mass production brought down the price so everyone could buy it, and engineering brains improved the instrument and simplified it so that everyone could use it. And now there are as many radio sets as there are homes. When the production problem is solved, and the minicam price comes down to the broader strata of lower income groups, why should not every family own one, and the minicam, like the radio, become an accepted part of American life?"

It sounds plausible, and the argument can be developed, but there is also the other side to be considered.

This is photography's greatest boom, but not its first or only one. Forty years ago the introduction of "gas light paper" which permitted the amateur to print at night the pictures he had taken on Sunday greatly increased the general interest in photography and gave the art its first conspicuous boom. Then, after the war, the introduction of home movie equipment resulted in another upward surge of popular interest. Home movie making is not dead, by any means, but the initial boom flattened out when amateurs had explored its novel possibilities.

Unquestionably, the whole photographic industry will benefit greatly, and permanently, by the present minicam vogue. Many of the new recruits in the army of amateur photographers will continue, for the rest of their years, to get use and enjoyment from their present cameras. But to count on all the thousands of minifans for this loyalty and tenacity is too great a degree of optimism.

In the rank and file of the minicam brigade there are three major groups of individuals. First, there is the very limited number of earnest people who, through the improved equipment now available to them, have taken important steps forward in their mastery of the camera art. This group is small but loyal. Second, there is another indefinite but also limited number of serious minifans who realize that they are privileged, in enjoying the use of so wonderfully efficient a camera, and who will continue to get an amateur's enjoyment out of it. They are never completely master of its technique, but they will be happy with their results. They will continue to use their minicams somewhat—but the white heat of their present fever will certainly cool.

Finally, there is the great uncounted army of vacillating enthusiasts. They, or their counterparts, made midget golf a twelve-months' sensation, and gave it a quick goodbye. They shot the sales of jigsaw puzzles up in rocket-like trajectory, but they were elsewhere when it burst in the sky and its cold shell tumbled.

It may seem that this sociological comment strikes an unhappy note on which to end a sketch of the minicam miracle. But this arbitrary sorting of the minicam mass is done in the attempt to look into the future with both eyes, rather than through a rose-colored view-finder.

The minicam boom is not over; it has not yet reached its peak. There may still be time for qualified manufacturers to enter the field at one point or another, for new retailers and suppliers of services to share in the golden shower.

But, to change the metaphor, the mini-craze is like a rolling surf. It looks inviting, and those who are able to hold their own can get in and enjoy it. But those who don't know the lay of the beach, or who can only swim with the tide, had better stay on shore and content themselves with taking snapshots.

AN ANALYSIS OF THE STATE FAIR TRADE LAWS

(Continued from page 16)

the trade-mark has been removed or obliterated (See VI).

(j) The non-signers' clause is worded entirely differently from that in either the old or the new model (See VII). It reads as follows: "An action at law or suit in equity may be brought by any person damaged by: (a) the breach or (b) the procurement of the breach or (c) the interference with the carrying out, of any contract entered into in pursuance of this act, or (d) the act of any person whether a party to such contract or not in wilfully and knowingly advertising, offering for sale, or selling any commodity at less than the price stipulated in any such contract, or (e) any other act whereby a party to such contracts is deprived of the benefits therefrom."

Virginia—Like the law of Rhode Island, this law follows neither the old nor the new model, but an intermediate model issued by the National Association of Retail Druggists in 1936. The Virginia law, however, follows the 1936 model more closely than does the Rhode Island law; and the laws of these two States are quite different in many respects in spite of a confusing similarity of language. Major points of interest in the Virginia law are as follows:

(a) The definitions (See I) are like those of the new model, but excepted from the definition of "commodity" are meats and meat products, meal, flour, bakery products, fresh and canned fish, sea food, fresh and canned

fruits and vegetables, coffee, tea, ice, sugar, and wearing apparel. There is no definition of "person." A definition of "resale" is added which, on its face, looks like that in the Rhode Island law. The two are different, however, for the Virginia definition is not ambiguous and does not restrict the law to goods made in fair trade States. The Virginia definition is as follows: "'Resale' means any sale made in the State of Virginia, or in any other State, or the District of Columbia, where contracts made lawful by this act are valid, by a wholesaler or a retailer; and to 'resell' means to make a 'resale' as herein defined."

(b) The clauses validating resale price contracts in this law are like those in the new model. There is, however, no clause in this law like Section 2 (B) of the new model (See III).

(c) The Virginia law contains a clause permitting contracts to contain refusal-to-sell provisions (See III).

(d) This law omits the clauses prohibiting indirect price-cutting (See IV) and specifying the persons who may issue contracts (See V).

(e) A dealer may cut prices in a bona fide closing out of his stock *"in whole or in part"* for the purpose of discontinuing business in the stock so sold (See VI). The italicized words raise the same questions as the similar language in the New Mexico law.

(f) Goods may be sold at cut prices when they are damaged or deteriorated in quality "by fire, smoke, water, or other cause than deliberate mutilation of label, carton, container, or package." Notice must be given to the public of the condition of the goods (See VI).

(g) The following two clauses are added to the section dealing with instances when goods may be sold without reference to contract prices (See VI): "When the goods are of a perishable character and there is danger of spoilage, and notice is given to the public thereof. When goods are of seasonable character, and the customary selling season has terminated, and notice is given to the public thereof."

(h) The non-signers' clause is omitted and another clause inserted in its place. Note the difference between this and the corresponding clause in the Rhode Island law. The Rhode Island clause, with all its extra language, is a true non-signers' clause like that in all the other fair trade laws. The Virginia clause is not, but is a weak substitute for a non-signers' clause which was suggested by the National Association of Retail Druggists after the highest court in New York had declared the non-signers' clause unconstitutional and it was feared that other State courts would do likewise. The Virginia substitute clause is as follows (See VIII): "Any party to such a contract damaged or threatened with damage by: (a) the breach or (b) the procurement of the breach or (c) the interference with the carrying out, of any contracts entered into in pursuance of this act, or (d) any other act whereby a party to such contracts is or may be deprived of the benefits therefrom, in addition to his remedy at law, shall be entitled on application to relief by injunction, without being compelled to allege or prove that an adequate remedy at law does not exist."

(i) This law contains a clause reading as follows: "Every contract entered into in pursuance of this act shall contain a provision that it may be terminated at the option of either party thereto by giving the other party at least sixty days' previous notice in writing of his desire and intention to terminate the same; provided, however, that, with the approval of the producer of the commodity covered by the contract, a shorter notice of termination may be prescribed."

PROBLEMS OF GROCERY AND CANDY WHOLESALERS

(Continued from page 24)

times the comparable-size average.

In the confectionery survey eight wholesalers sold on a cash basis only, and virtually all of the other sixty sold some merchandise for cash in varying amounts, as is evident in the table on page 24. Grouping service wholesalers in order according to their proportion of cash business establishes two very definite trends. In the first place, total expense items show consistent decreases as the proportion of cash sales increases. Secondly, the proportion of profitable concerns increases in the same direction. Cash concerns returned a better average operating profit, moreover, than any of the three credit groups.

The average total expense for all service wholesalers in the candy trade was 13.1 per cent of sales, the same proportion as that reported by the 36 houses which sold from 50 to 90 per cent of their merchandise on credit terms. To answer the question about "appreciable" expense reduction through the development of cash and carry business, two quantitative measures are at hand. The group whose credit sales ranged from 10 to 50 per cent had a total expense average of 12.4 per cent, and for cash concerns it was 11.8 per cent—as against the 13.1 per cent mentioned above.

Volume of Sales

Operating ratios in most industries and trades vary so consistently and significantly according to the volume of sales or size of business that tabulations by size of concern have become a fundamental feature of research in operating problems. The value of size comparisons in the grocery and candy trades, however, is questionable, especially so in the former line, because of the vast differences in the character of grocery wholesalers' merchandise and clientele and the radical effect of those differences on operating results.

In general it appears that wholesale grocers' profits grow with an increasing volume of sales. We have already noticed on the other hand that only the larger enterprises are in a position to market private brands, apparently a profitable merchandising policy. If the attribute of size has any remaining effect on profits after the earning power of distributor-owned brands has been discounted, its value exists solely in making comparisons with other breakdowns.

Perhaps the outstanding observation to be gained from the analysis by size is that the largest concerns achieve the largest gross margins. The opposite tendency is evident in most wholesale lines, but in the grocery trade the services rendered by the large houses and their interest in private brands appear to build up their expense and to enable them to command prices at least proportionately higher.

In candy distribution a contrary size-profit relationship was apparent, the smaller firms being more profitable. The influence which size exerted on operating ratios may be somewhat mitigated here too, in this trade by the relative effects of specializing in candy or tobacco distribution. The average size of wholesalers concentrating their sales in tobacco, it will be remembered, is almost three times that of houses selling principally confectionery merchandise. For the latter, margins, total expense, and profit were all more than double the comparable averages for the former.

Whether because of this merchandise-line influence or not, the averages indicate that in general the larger the enterprise, the lower the gross margin and the smaller the profit. To a lesser extent all items of expense follow a similar pattern.

Profitable Operation

Here and there in what has gone before there have appeared certain signposts pointing out the road to profits, some more distinctly than others. In an analysis of such small samples of concerns some apparent relationships between profits and various methods of operation may be accidental. But others are likely to be significant, and all of them seem worth reflection.

In the grocery trade it was apparent that the larger the concern the better the profit. The survey also indicated that the large concerns most commonly feature their own brands of merchandise, and as a result it is impossible to determine whether profits are more closely related to size or to the sale of private brands. On the other hand, the survey suggests that the relation between profits and the proportion of perishable merchandise handled is in-

verse. Concerns which sold a major part of their volume to voluntary group members also enjoyed less than average profits. Cash and carry enterprises achieved average profits with lower expense ratios and gross margins.

Of the 88 grocery distributors, 77 operated on the profitable side of the ledger. Out of these, 52 earned more than 1 per cent on sales, leaving 25 concerns which were keeping afloat with earnings between zero and 1 per cent. The average wholesale grocery house has been turning over its tangible net worth during the last five years at the rate of 5.8 times a year. Thus profits of 1 per cent on sales would amount to 5 or 6 per cent a year on net worth. Enterprises which are earning this amount annually will probably continue in business indefinitely; the future of those which are earning less than 1 per cent on sales is of course more doubtful.

The average size of the 25 concerns with a limited profit ratio was only about half the average for those with greater profits. A comparison of this class with its comparable size group failed to point to any single outstanding expense figure which might have accounted for the difference in profits. The less profitable group operated on a narrower gross margin and in most detailed expense items had a higher ratio. The single important lower ratio for the limited profit firms was total selling expense, which in accounting in some part for the thin gross margin may possibly have been the reason why they attained only limited profits.

In the confectionery trade, too, different methods of operation appeared to have varying effects on earning power. In general the survey demonstrated that the larger the concern the lower the gross margins and the smaller the profit. Such was also the case with enterprises which specialized in tobacco, as opposed to those which sold candy for the most part and which were considerably smaller. Wholesale confectioners who sold to wagon jobbers attained better profits on sales and a faster turnover. Truck and wagon distributors themselves were more profitable than full-functioned wholesalers. Finally, in the classification according to credit policy, the cash and carry concerns were most profitable and among those that granted credit it appeared that the proportion of profitable concerns decreased as credit sales increased.

An examination of the operating ratios for profitable and unprofitable candy distributors in two size categories shows that unprofitable ones have considerably heavier total expense averages. In the detailed analysis undue administrative and buying expenses appear to be responsible for a good part of the excessive totals.

As foods, groceries and confectionery are lines which have become fairly static with the slackening rate of population growth. For both, the carefree days of rapid expansion have disappeared. A period of more intense competition has arrived, with results which may be viewed in very different ways.

It is evident from the survey that the intensification of competition has brought forth many diverse methods of operation, and as wholesalers in these trades adopt first one merchandising policy and then another, there emerge the inevitable trials and inconveniences of transition. Contrariwise, the very fact that the many methods of operation encourage research studies such as this helps management to substitute facts for guesses made by rule of thumb. To the extent that these facts are sound, the changes which they suggest for more profitable operation are preferable at least to changes dictated by insolvency.

THE BALANCE OF INDUSTRY AND AGRICULTURE

(Continued from page 7)

ers, fuel and purchased electric energy, which amounted to $35,209,000,000 annually during the base period 1923-1925, amounted to $26,263,000,000 in 1935, or 74.6 per cent. Here we have an indication that all of the items entering into the manufacturing industries as a whole—raw materials processed, containers, fuel and purchased electric energy—were back almost perfectly in line with total value of manufactured products and total value of farm products.

Furthermore, factory payrolls (wages and salaries) in 1935 were 71.1 per cent of the base period, while all other items, such as interest, rent, insurance, depreciation, taxes, advertising, and so on, in 1935 were 76.7 per cent of expenditures for these purposes during the base period.

These facts indicate very clearly that the problems of the farmers and the problems of the manufacturers are inextricably mixed up with one another. American industry cannot afford to ignore the former or fail to make every effort to arrive at a clear understanding of them. These two great groups which provide all of our essential commodities prosper together and suffer depressions together. There is a very definite community of interest between the two great factors in American social and economic life which must be recognized by both groups if we are to fight our way back to a permanent prosperity and establish an effective guard against any repetition of the events of the past six years.

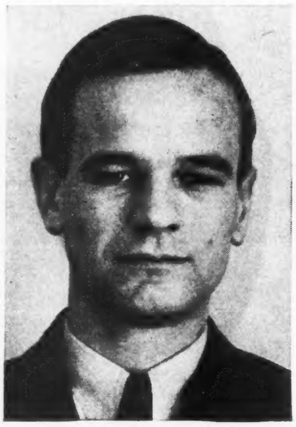
Industry is losing no time in educating itself in the problems of the farm and there are indications that the farmers, too, are educating themselves in the problems of the manufacturers. When both have a clear understanding of each other's problems and periodical difficulties, I believe real constructive progress will have been made in the direction of better living for all our people.

OVER THE EDITOR'S DESK

CONTRIBUTORS . . COMING NEXT MONTH

BOTH of the authors of "An Analysis of the State Fair Trade Laws" (pages 8-16) have been in Washington long enough to have seen the drive for fair trade practice merge with the effort to secure national recovery, proceed under the auspices of NRA codes, and after their invalidation continue on into the present with its own legislation.

Mark Merrell, as an assistant deputy administrator in the NRA, was assigned to all codes for the drug industry. He now publishes Merrell's Reports, a service reporting on State and Federal legislative developments which may affect selling policies.



MARK MERRELL

Sumner S. Kittelle is a member of the Bar of the District of Columbia. He was associated with Mr. Merrell in code administration and also for some time in the publication of Merrell's Reports.

OTHER authors this month are Robert L. Barton (pages 17-20) and George T. Bristol (pages 21-24). The former is a son of the distinguished clergyman and biographer of Abraham Lincoln, the late Rev. William E. Barton. The latter is a member of the editorial staff of DUN'S REVIEW.

JUST fifty years ago the Interstate Commerce Commission was created as a governmental administrative agency. Since then specialization in administration has made rapid and extensive headway, until now similar administrative agencies are many and well known.

Brought into being by broad and general legislative mandates, the commissions have become inevitably quasi-judicial institutions, and one of their growing pains has been the resentment of the established judiciary. Formerly chairman of the Securities and Exchange Commission and now professor of legislation at Harvard Law School, James M. Landis is eminently qualified to discuss this conflict with the courts. Next month he will do so in an article on the development of the administrative commission as an instrument of government.

ROY A. FOULKE, head of the DUN & BRADSTREET Analytical Report Department, is known to readers as an authority on the analysis of financial statements, as a contributor to DUN'S REVIEW, and as the author of *Behind the Scenes of Business* and *Fourteen Guides to Financial Stability.* In the November number he will present standards of financial responsibility for

SUMNER S. KITTELLE

sixty lines of business—fourteen ratios based on figures for 1936 operations.

OPERATING figures for five more wholesale trades have been computed by the Research and Statistical Division and will be analyzed next month. The trades to be discussed are dry goods, floor coverings, paints and varnishes, motor and equipment supplies, and bakers' and confectioners' supplies.

NEXT month's issue will also present Hubert C. Barton's report on seasonal variation adjustment methods and W. R. Pabst, Jr.'s study of the DUN & BRADSTREET insolvency index as a business barometer. Both were withheld from this issue because of the timeliness of the fair trade acts article.

DUN'S REVIEW

Willard L. Thorp, *Editor;* Norman C. Firth, *Managing Editor and Business Manager;* Raymond Brennan, Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, *Associate Editors;* J. A. D'Andrea, *Statistician;* Clarence Switzer, *Art Director;* H. C. Daych, *Advertising Manager.*

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More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, wheat and other grain supplies, and price indexes which are summarized and interpreted each month in DUN'S REVIEW (see pages 35-39)—are published monthly in DUN'S STATISTICAL REVIEW, tables only, no text, $1 a year; $2 outside the United States.

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GALLOWAY

The WILD WOODS

We were spending the night deep in the heart of the White Mountains at the Great Gulf shelter, having painfully packed in our food, blankets, and other necessities. Just as dusk began to fall, a lone figure came up the trail, a man in street clothes, low black shoes, and no pack whatsoever—no food, no blankets, no flashlight. He had been following trails since early morning but was not much nearer his destination than when he started. By good luck, he had stumbled on our camp before dark.

He had a map but couldn't use it. He had made no effort to learn from experts and had no previous experience in the mountains. Wandering alone through such woods without training, equipment or even advice, not only was the height of foolhardiness, but it assured him of a minimum of return for a maximum of effort. The business woods are also difficult and dangerous, but the hazards can likewise be considerably reduced by relying on maps, experience, and experts. And a small flashlight in the great woods-darkness is a real comfort.

Willard L. Thorp.

E D I T O R